CIC

Crown Investments Corporation
of Saskatchewan

SaskTel
STC
The Bus Company

2010 ANNUAL REPORT

Crown Investments Corporation of Saskatchewan (CIC) is the financially self-sufficient holding company for 11 subsidiary commercial Crown corporations

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Crown Investments Corporation of Saskatchewan

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LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 31, 2011

To His Honour
The Honourable Gordon Barnhart
Lieutenant Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the thirty-third Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2010 in accordance with *The Crown Corporations Act, 1993*. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

Respectfully submitted,

Tim McMillan
Minister Responsible for Crown Investments Corporation

2010 was a successful year for Saskatchewan's commercial Crown corporations. I became the Minister responsible for Crown Investments Corporation in June of 2010 and quickly began to appreciate the many challenges and opportunities of the Crown sector. I would like to thank Minister Draude for her leadership of the Crown sector during the first half of 2010 and providing a springboard for continued success during the remainder of 2010.

This has been an exciting year for Saskatchewan's Crown corporations. I would like to thank the over 11,000 Crown employees for their hard work and dedication during a year of extreme weather conditions, ongoing global economic volatility and unprecedented increases in customer growth. Our Crowns met these challenges, ensured that the people of Saskatchewan have access to secure and reliable services, and that opportunities for a high quality of life in this province are maintained. Saskatchewan's Crowns are well-positioned to meet the needs of the people of this province as it continues to grow.

During 2010, Saskatchewan's strong economic growth provided a catalyst for innovative solutions and technologies designed to better meet customer needs, using the highest quality and most cost effective methods possible. SaskTel continued its network transition and expansion of its communication infrastructure, providing people across the province access to high quality cellular, internet and video products and services. ISC is developing a business portal that will make it easier to do business in Saskatchewan. SaskPower and SaskEnergy are partnering with the private sector to explore and develop clean energy alternatives and utilize our provincial resources in the best possible manner. These are just a few examples of how the Crowns are developing and coordinating unique solutions to benefit customers and the Province.

To support this growth and innovation in 2010, the Crowns continued to invest in two key areas: efficiency and infrastructure. All Crowns had implemented cost containment programs by the end of 2010, designed to identify opportunities to become more efficient and effective. These programs are extensive, crossing all business lines, and will require ongoing work in 2011 and future years. The savings will benefit customers by moderating rate increases that may be required in future years and ensuring the Crowns are poised to meet growing customer demands in the most effective manner possible.

Crown workforce strategies have been designed to ensure employees have the skills and knowledge required to meet customer needs, are well positioned to transition smoothly as the workforce ages and that opportunities are available for youth and the aboriginal community. I am excited to note that a number of our Crowns received "Best Employer" awards in 2010 highlighting their commitment to skilled and engaged workforces.

In 2010, the Crowns continued to invest in "Saskatchewan First" with unprecedented infrastructure spending to maintain, replace and expand to meet increased demand. This substantial investment has led to an increase in borrowing. The Government's commitment to responsible growth ensures that this borrowing is done on a prudent basis; that the Crowns are not borrowing beyond their means. The Crown sector ended 2010 financially healthy and with Crown-specific financial benchmarks comparable to industry standards. The Crown sector also provided a significant financial return to its shareholder in 2010 through a $266 million regular dividend. In addition there was a special dividend of $10 million for green initiatives and $195 million for the Children's Hospital.

I look forward to the opportunities and challenges that 2011 will bring to the Crown sector and am pleased to present CIC's 2010 Annual Report.

Tim McMillan
Minister responsible for Crown Investments Corporation

2010 was another exciting and successful year in the Crown sector. I joined CIC mid-year and quickly realized the challenges and many opportunities that the Crown sector in Saskatchewan faces in providing the services and utilities that this growing province demands. I wish to thank Ron Styles for his leadership of CIC for most of 2010 and wish him all the best at SaskTel.

CIC's role as the Crown sector holding company is to ensure alignment of the business interests of the Crowns with the government's priorities for the Province. 2010 saw many successes in the pursuit of the government's strategic direction for the sector:

- **Infrastructure to support sustainable economic development:** 2010 saw a $960 million capital program including the start of the Boundary Dam 3 refurbishment at SaskPower; the launch of a new cellular wireless network by SaskTel; and growth of the natural gas pipeline system and storage capacity at SaskEnergy to support increased customer demand.
- **Efficiency of Operations:** the launch of productivity and efficiency reviews by all Crowns leading to lower costs, reduced rate requirements and a smaller workforce through attrition.
- **Environmental Responsibility:** Research and development of carbon capture and storage, enhanced use of wind and other green energy sources, implementation of the Crown sector carbon footprint project. SaskTel and SOCO in particular were nationally recognized for environmentally friendly practices.
- **Private Sector Driven Economy:** Continued sale of investments through the SaskFirst investment policy, SaskPower partnerships for gas and wind power production, SaskEnergy partnerships for waste heat recovery and flare gas capture and processing and an enhanced sector focus on partnerships to provide services.

CIC also supported many important Crown sector priorities such as the conversion to International Financial Reporting Standards (IFRS); the implementation of leading edge governance, public accountability and performance management practices; and supported key strategic initiatives such as the province's Innovation Agenda and carbon capture and storage.

Financially it was a successful year for the Crown sector with consolidated (all Crowns included) net earnings of $394.8 million. The sector's Return on Equity of 9.6% was ahead of target, as was the consolidated debt ratio of 50.4%. These results, along with the proceeds of investment sales from past years, allowed CIC to provide the GRF with a regular dividend of $266 million, as well as special dividends of $10 million for green initiatives and $195 million in support of the Children's Hospital.

When we look back at 2010, there were challenges, but there was also strong performance in key areas. SaskTel had its best operational year ever. SaskPower benefitted from customer demand growth and favourable hydro and natural gas generation costs. While SaskEnergy also benefitted from increased customer growth, continued low natural gas prices hampered drilling activity and in turn transmission revenues. SGI faced a difficult year with very heavy storm activity, in the end this was offset by favourable investment returns. SaskGaming worked through a labour disruption and a market downturn that affected year end results. STC worked diligently to control costs in the face slow growth in ridership. ISC began work on the single window business portal to provide improved service to growing companies. SaskWater is working with the potash industry which has the potential to invest billions of dollars in the Saskatchewan economy.

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Looking forward, I see the challenges and great opportunities to support Saskatchewan's growing economy with the infrastructure required by business and a growing population. Capital spending of over a billion dollars a year is planned in order to keep up with customer demands and ensure the best technology is in place to move Saskatchewan forward. This spending will require increased but sustainable borrowing. Given the demands of Saskatchewan's growing economy, the need to keep the Crowns financially sustainable and flexible has never been stronger. This is also necessary to manage the continued risks of weather, changes in commodity prices, changes in technology, volatile markets and increased competition for those Crowns that operate in a competitive environment.

I would like to thank both the staff of CIC and the subsidiary Crowns for their successful efforts in 2010 and I look forward to another prosperous year in 2011.

RW Carter

R.W. (Dick) Carter, FCA
President & CEO

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CORPORATE PROFILE

The Crown Investments Corporation of Saskatchewan (CIC) is the financially self-sufficient holding company for 11 Saskatchewan commercial Crown corporations. As of December 31, 2010, the subsidiary Crown corporations included:

Utilities:

- Saskatchewan Power Corporation (SaskPower)
- Saskatchewan Telecommunications Holding Corporation } (collectively SaskTel)
- Saskatchewan Telecommunications
- SaskEnergy Incorporated (SaskEnergy)

Infrastructure Management:

- Saskatchewan Water Corporation (SaskWater)
- Saskatchewan Opportunities Corporation (SOCO)

Registry:

- Information Services Corporation of Saskatchewan (ISC)

Insurance:

- Saskatchewan Government Insurance (SGI)

Entertainment:

- Saskatchewan Gaming Corporation (SGC)

Investments:

- Saskatchewan Development Fund Corporation (SDFC) Ceased operation in 2010

Transportation:

- Saskatchewan Transportation Company (STC)

As a holding company, CIC develops broad policy control, directs investments, and provides dividends to the provincial government's consolidated fund. CIC is mandated to exercise supervisory powers over its subsidiary Crown corporations, as well as operating as a Crown corporation itself.

CIC oversees and manages a comprehensive framework designed to strengthen governance, performance, and accountability of subsidiary Crown corporations. CIC also assists Crown Boards in discharging their responsibility of overseeing and directing the management of the Crown corporations.

CIC'S PURPOSE

CIC provides oversight on behalf of the shareholder for the Crown sector by:

- Promoting best practices in governance by defining roles and authorities supported by advisory services to subsidiary Crown Boards and Crown sector policies;
- Providing strategic direction from the shareholder and holding company; and
- Establishing and monitoring performance management, including quarterly financial and performance reporting to the CIC Board of Directors.

CIC's role includes centralized administration of select Government initiatives and programs.

- Gradworks Inc. (Intern Development Program)
- First Nations and Métis Fund Inc.
- Aboriginal Bursary Program
- Saskatchewan Immigrant Investor Fund Inc.
- First Nations Business Development Program
- APEX Investment Limited Partnership
- CIC is the plan sponsor for the Capital Pension Plan

CORPORATE MANDATE

CIC's governing legislation and its mandate are defined by *The Crown Corporations Act, 1993*.

(a) CIC is the holding company for all subsidiary Crown corporations and shall exercise its supervisory powers granted by this Act in the interests of all Saskatchewan residents;

(b) CIC is the agency for making and administering, on behalf of the Government of Saskatchewan, the investments authorized by this Act or any previous Crown Corporations Act.

CIC'S VISION, MISSION AND VALUES

VISION

To be the corporate leader, guiding and inspiring the most innovative Crown sector in Canada.

MISSION

As the holding company, we deliver strategic shareholder direction to Saskatchewan's Crown corporations, and pursue initiatives that contribute to Saskatchewan's economic success.

VALUES

Integrity
We are trustworthy, respectful of others, and accountable. We honour our commitments and conduct our business ethically.

Social Responsibility
We demonstrate good corporate citizenship through volunteerism, diversity, sponsorship and environmental responsibility.

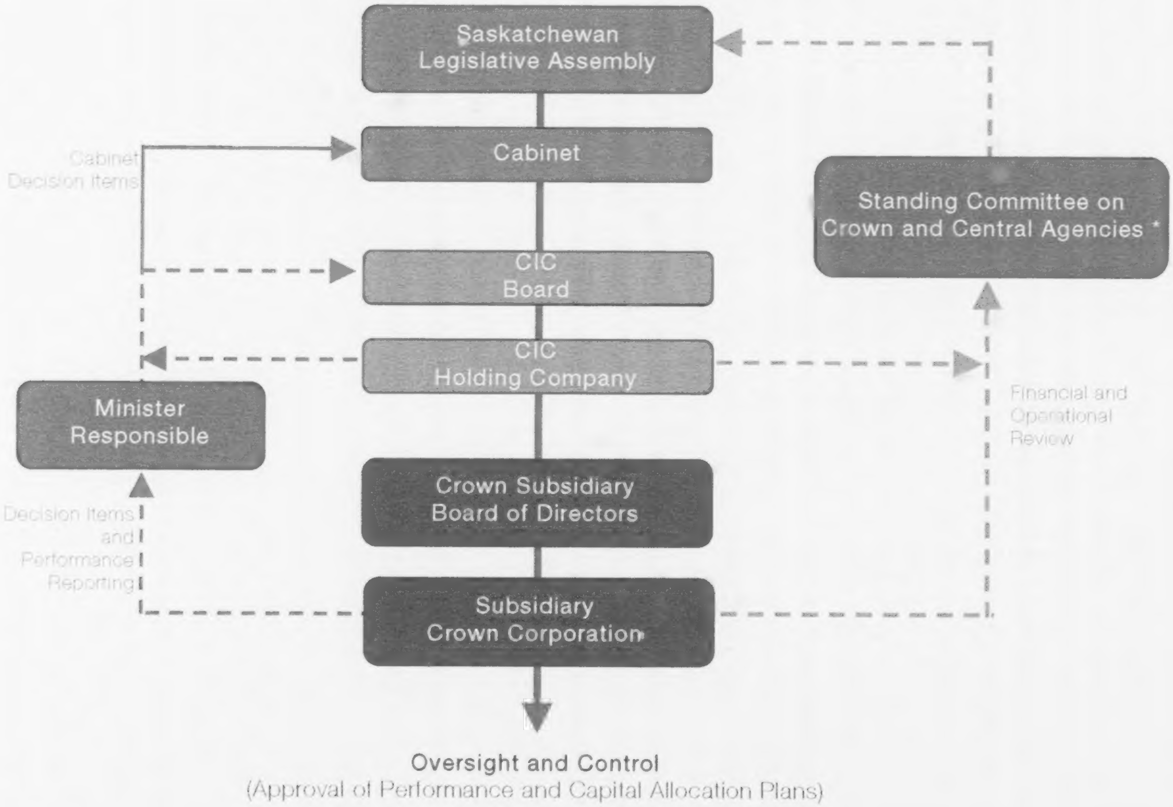
Excellence
We hold ourselves to the highest business standards, striving to achieve our full potential and inspiring others to attain theirs.

Leadership
We provide guidance and inspiration, valuing the contributions of our employees and partners. We work together to achieve our common objectives.

FINANCIAL & PUBLIC ACCOUNTABILITY

The ensuing chart depicts the accountability structure of Saskatchewan Crown corporations to both the Government and to the all party committee of the Legislative Assembly, the Standing Committee on Crown and Central Agencies and the reporting structure for decision items and performance management. It also identifies and delineates the oversight responsibilities of:

- the Government (as the shareholder and mandating body for the Crown corporations);
- the CIC Board (as the representative of the shareholder to ensure mandates and activities are consistent with the interest and intent of Government); and
- the Crown corporation Board of Directors (as the stewardship body with fiduciary duty to the Crown's operations).


Saskatchewan Legislative Assembly
Cabinet
Cabinet Decision Items
CIC Board
CIC Holding Company
Minister Responsible
Standing Committee on Crown and Central Agencies *
Financial and Operational Review
Crown Subsidiary Board of Directors
Decision Items and Performance Reporting
Subsidiary Crown Corporation
Oversight and Control
(Approval of Performance and Capital Allocation Plans)

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*The Standing Committee on Crown and Central Agencies is established to consider matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries. Reports of the Provincial Auditor, as they relate to the Crown Investments Corporation of Saskatchewan and its subsidiaries, are permanently referred to the Standing Committee on Crown and Central Agencies.

CIC BOARD OF DIRECTORS

The CIC Board of Directors consists of members of the Provincial Cabinet appointed by the Lieutenant Governor-in-Council and functions as a key committee to the Provincial Cabinet. The CIC Board is comprised of non-independent members, makes decisions in its own right, and forwards recommendations to Cabinet for consideration. The Board's key responsibilities are to:

- set strategic direction for the Crown sector;
- provide oversight to subsidiary Crown corporations by setting performance expectations, allocating capital within the sector, and monitoring and evaluating performance; and
- provide oversight to CIC management by approving CIC's business plans and budgets as well as monitoring and evaluating corporate performance.

Committees:

- The CIC Board has no separate nominating, compensation or audit and finance committees.
- As Board members are appointed by the Lieutenant Governor-in-Council, there is no nominating committee.
- There is no compensation committee; the CIC Board approves an executive compensation framework which applies to the executives of CIC and all subsidiary Crown corporations. The Chair of the CIC Board provides oversight of CIC's CEO and evaluates the annual performance of the CEO.
- The CIC Board acts as an audit and finance committee by approving CIC's financial statements, and meeting with external auditors and the Provincial Auditor without management present.

Meetings:

- The CIC Board held 17 meetings in 2010.
- All CIC Board members are provided with written materials for all board meetings in advance of the meetings.
- As a standing agenda item for board meetings, the Board holds in-camera sessions without management present and where all CIC Board members can participate.

CIC BOARD OF DIRECTORS (continued)

As of December 31, 2010 the following served as members of the CIC Board of Directors.

HONOURABLE TIM MCMILLAN, CHAIR

Minister Responsible for Crown Investments Corporation (CIC)
Minister Responsible for Information Technology Office (ITO)
Minister Responsible for Information Services Corporation (ISC)
Minister Responsible for Saskatchewan Government Insurance (SGI)
Minister Responsible for Saskatchewan Liquor and Gaming Authority (SLGA)

- Mr. McMillan attended the University of Victoria where he received a degree in Economics.
- Mr. McMillan is a Microsoft Certified Systems Engineer and spent a year contracting as an IT professional in London, England.
- Prior to his election in 2007, Mr. McMillan operated his family farm and established an Oilfield Service Company.

HONOURABLE BILL BOYD, VICE-CHAIR

Minister of Energy and Resources
Minister Responsible for Saskatchewan Telecommunications (SaskTel)

- Mr. Boyd was originally elected in 1991 as a Progressive Conservative MLA and became the leader of that party in 1994.
- In 1997, he and three of his colleagues joined with four Liberal MLAs and founded the Saskatchewan Party.
- Mr. Boyd operates a pedigreed seed feed farm near Eston, Saskatchewan.

HONOURABLE KEN CHEVELDAYOFF, MEMBER

Minister of First Nations and Métis Relations
Minister Responsible for Saskatchewan Gaming Corporation (SGC)
Minister Responsible for Northern Affairs

- Mr. Cheveldayoff attended Carleton University in Ottawa, the University of Saskatchewan and Newport University in Southern California, receiving a B.A. (Honours) in Economics and Political Science in 1988 and a Masters of Business Administration in 1996.
- Prior to being elected, Mr. Cheveldayoff worked with Western Economic Diversification assisting individual businesses and industries to grow and expand.
- He has been an active member of the Saskatoon community through service with the Children's Health Foundation, the Saskatoon Chamber of Commerce, the North Saskatoon Business Association, and the Provincial Exporters Association.

CIC BOARD OF DIRECTORS (continued)

HONOURABLE ROB NORRIS, MEMBER

Minister of Advanced Education, Employment and Immigration
Minister Responsible for Innovation
Minister Responsible for Saskatchewan Power Corporation (SaskPower)
Minister Responsible for Uranium Development Partnership

- Mr. Norris holds an M.A. (Alberta, with courses completed in Saskatchewan) and a B.A. with distinction (Lethbridge) in political science, with graduate research relating to Canadian foreign policy.
- During graduate school, Mr. Norris was a teaching assistant at the University of Saskatchewan (U of S) and taught courses focusing on Canadian government for SIAST and the U of S Extension Division.
- He has served on several committees, including as Chair of the Knowledge Industry Committee of the Greater Saskatoon Chamber of Commerce.

HONOURABLE DUSTIN DUNCAN, MEMBER

Minister of Environment
Minister Responsible for Saskatchewan Water Corporation
Minister Responsible for SaskEnergy Incorporated (SaskEnergy)

- Mr. Duncan holds a B.A.in Canadian History from the University of Regina. He also completed the Canadian Securities Course.
- Mr. Duncan has served as a member of the Saskatchewan Legislative Internship Program Advisory Committee and in 2007 was named a BILLD Fellow after completing the Bowhay Institute for Legislative Leadership Development program at the University of Wisconsin - Madison.
- Mr. Duncan is the youngest Cabinet Minister in Saskatchewan history and one of the youngest in Canadian history.

During 2010 the following served as members of the CIC Board of Directors.

- Honourable June Draude, Chair
- Honourable Ken Cheveldayoff, Vice Chair
- Honourable Bill Boyd, Member
- Honourable Don Morgan, Q.C., Member
- Honourable James Reiter, Member

BOARD MEMBER TERMS

The term and position held by each Board member is set out below.

Name	Position	Period Serving on CIC Board in 2010
Hon. Tim McMillan	Chair	June 29 to December 31, 2010
Hon. Bill Boyd	Vice Chair Member	June 29 to December 31, 2010 January 1 to June 29, 2010
Hon. Ken Cheveldayoff	Vice Chair Member	January 1 to June 29, 2010 June 29 to December 31, 2010
Hon. Rob Norris	Member	December 1 to December 31, 2010
Hon. Dustin Duncan	Member	June 29 to December 31, 2010
Hon. June Draude	Chair	January 1 to June 29, 2010
Hon. Don Morgan, Q.C.	Member	January 1 to December 1, 2010
Hon. James Reiter	Member	January 1 to June 29, 2010

The CIC Board held 17 meetings in 2010.

CIC EXECUTIVE

R. W. Dick Carter, FCA
President and CEO

Mr. Dick Carter, FCA, is a retired partner of KPMG, Chartered Accountants, where he worked for more than thirty years in cities across the west - Regina, Saskatoon, Winnipeg and Edmonton. Since 2007, he was Chief of Staff to the Saskatchewan Minister of Finance. Mr. Carter became the President and CEO of CIC in August, 2010.

Mr. Carter's considerable educational and professional credentials include Fellow, Institute of Chartered Accountants of Saskatchewan (1998), Queens University, Executive Program (1996), Member - Institutes of Chartered Accounts of Saskatchewan and Alberta, and Bachelor of Commerce - University of Saskatchewan.

Mr. Carter has also been very involved in the communities where he has lived. In Edmonton he was involved with the Investment Committee at the Grey Nuns of Alberta, Regina and Manitoba as well as a board member and chair of the Finance and Audit Committee with the Caritas Health Group. While in Winnipeg, Mr. Carter was a board member and chair of the Audit Committee and member of the Management Operations Committee at the Royal Winnipeg Ballet. During his time in Saskatoon he was a board member with the Sherbrooke Community Centre, board and committee member with the Saskatoon Housing Authority and board and executive committee member with the Saskatoon Inner City Pre-School Foundation.

Blair Swystun
Senior Vice President, Finance and Chief Financial Officer

Blair is a Chartered Financial Analyst charter holder and has a Master of Business Administration. He has 29 years of Government experience and has been at CIC since 1996. His public service career also included various positions at Saskatchewan Finance. Blair has sat on numerous boards and maintains memberships in several professional affiliations.

Doug Kosloski
Vice President, Human Resources, Governance, and General Counsel

Doug is a lawyer and has a Juris Doctor, Bachelor of Commerce and Bachelor of Arts. He has 16 years of service with the Government of Saskatchewan, joining CIC in 1998. He sits on a number of boards and investment funds on behalf of CIC.

Iain Harry
Vice President, Crown Sector Initiatives

Iain holds a Bachelor of Arts in Political Studies and has almost 20 years of experience in public policy and communications at the municipal, provincial and federal levels. He joined CIC in 2008.

Rae Haverstock
Vice President, Asset Management

Rae has a Bachelor of Education with majors in economics and accounting, and 36 years of experience with the Government of Saskatchewan. Prior to joining CIC Asset Management Inc. in 2008, Rae held senior management positions in the Capital Markets Branch and Treasury Board Branch of Saskatchewan Finance.

EXECUTIVE COMPENSATION

The Saskatchewan Crown sector is committed to a "total compensation" approach which includes base salary, incentive pay, benefits and pension. CIC has an overall shared authority for all executive compensation governance across the Crown sector, with individual Crown boards having a degree of autonomy and independence within the governance framework.

Total compensation approach (TC) = Base Salary + Short-term Incentive + Pension/Benefits

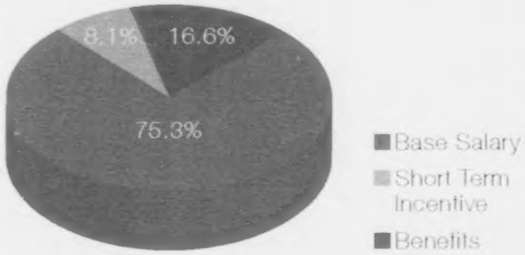
Each of CIC's five executives receives a comprehensive group benefits package and is eligible for an annual short-term incentive program, in addition to their base pay. The following describes each component of compensation and the percentage (%) each component contributed to total compensation in 2010.

Base Salary: The executive compensation framework and salary ranges were determined by executive compensation reviews completed by an external consulting firm. The salary ranges and compensation framework were defined by benchmarking the appropriate comparator market of both public and private sectors, and industry specific trends. Executive base salary ranges are subject to CIC Board and Cabinet approval, and are adjusted annually to reflect cost of living adjustments. The approved base salary ranges for 2010 were:

CEO	$237,157 - $296,446
Executive 1	$210,582 - $251,978
Executive 2	$171,346 - $214,182

Base salary accounted for 75.3% of total compensation for CIC executive in 2010.

EXECUTIVE COMPENSATION 2010



Short Term Incentive: CIC's CEO and executives' incentive pay is linked to achievement of the corporate Balanced Scorecard (BSC) targets. The CEO determines the STI payments for the CIC executives, and CIC's CEO STI payment is determined by the CIC Board Chair.

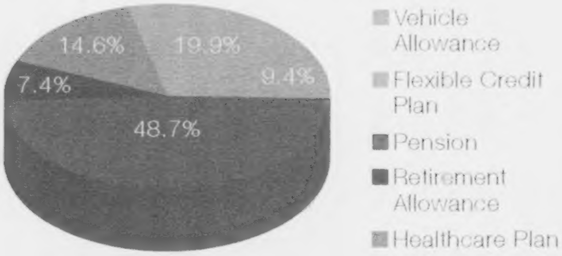
Short Term Incentive pay accounted for 8.1% of total compensation for CIC executive in 2010.

EXECUTIVE COMPENSATION (continued)

Benefits: CIC executives are entitled to a benefits package. The cost of the combination of benefits used by the executive team is subject to a monetary cap. The following are included in the benefits package eligible to CIC executives:

Benefits payments accounted for 16.6% of total compensation for CIC executives in 2010.

EXECUTIVE BENEFITS 2010



As required by *The Crown Employment Contracts Act*, the CEO and direct reports of the CEO, including all executive members, report the details of their compensation and benefits to the Clerk of the Executive Council. These filings are available for public review.

In addition, the Standing Commitee on Crown and Central Agencies require all Crown corporations to file an annual payee list which includes remuneration information about the executive members.

The Payee Disclosure Report is available on CIC's website www.cic.sk.ca in the Publications section, under Reports. The CIC Board reviews the details of these expenditures reports annually.

CIC'S OPERATING DIVISIONS

At year end of 2010, CIC had 75 employees in its six divisions: President's Office; Finance and Administration; Human Resources, Policy, Governance and Legal; Crown Sector Initiatives; Asset Management; and Capital Pension and Benefits.

President's Office

This division is responsible for the overall direction of CIC. It includes the President's office as well as the Communications and Human Resources units.

Finance & Administration

The Finance and Administration Division provides analysis and recommendations to the CIC Board on a wide range of Crown sector business issues. Specifically, the division supports:

- Strategic shareholder direction to the Crown sector and internal corporate planning;
- Oversight of Crown corporation performance management and capital allocation plans;
- Sector-wide financial reporting and forecasting;
  Management of CIC's budget and financial transactions, including cash and debt positions;
  Internal audit function for smaller subsidiary Crown corporations; and
- Corporate administrative and information technology services including information management, e-mail and network security services.

Human Resources, Policy,Governance and Legal

The Human Resources, Policy, Governance and Legal Division provides legal services to CIC, strategic advice, analysis and support on sector wide matters on human resources and broad policy issues to the CIC Board and Management, as well as Corporate Secretariat services to the Crown Boards, together with leading edge training and development to board members.

Crown Sector Initiatives

The Crown Sector Initiatives Division supports CIC's mission to enhance the province's long-term economic growth and diversification. The division acts as a catalyst for coordinating or assisting with strategic economic development projects within the CIC Crown sector which require co-ordination with executive government, line departments, commercial Crown corporations, external agencies and/or the private sector.

Asset Management

The Asset Management Division's mandate is to prudently manage and divest an existing portfolio of investments on behalf of the Province that optimizes financial and public policy outcomes.

Capital Pension & Benefits

CIC has an oversight and sponsorship role as it pertains to Capital Pension & Benefits Administration.

The Capital Pension & Benefits Administration Division manages and administers the multi-employer Capital Pension Plan and group benefits program in accordance with the applicable regulations and laws. It is also responsible for holding, in trust, the pension plan's funds for the benefit of members and any other persons entitled to benefits pursuant to the plan.

CIC'S SENIOR MANAGEMENT

John Amundson, CA	Corporate Controller
Colin Bachynski	Director - Corporate Planning
Nancy Croll	Executive Director - Crown Sector Human Resources
Bruce Crouter	Director - Performance Management & Financial Analysis
Wendy Dean	Director - Corporate Secretariat
James Hoffman	Executive Director - Policy
Deb Kachluba	Director - Human Resources
Cindy Ogilvie	Director - Performance Management & Financial Analysis
Guy Roy	Director - Major Projects
Mike Woods	Executive Director - Communications
Peter Wyant	Director - Strategic Economic Development
Capital Pension & Benefits	
Ken Klein	Executive Director - Capital Pension & Benefits
Stan Jones	Director - Pensions

CIC'S CORPORATE CHARTER

CIC's corporate charter defines expectations of CIC employees, guides their behavior and clarifies their obligations and responsibilities. CIC employees participated in developing CIC's Corporate Charter and drafting CIC's defining principles. CIC's Corporate Charter is designed to encourage and reinforce teamwork, cooperation, high productivity and effective decision-making.

CIC'S CORPORATE CHARTER

CIC's Corporate Charter embraces the following guiding principles:

Guiding Principles for CIC's Corporate Charter

Democratic Principles

We abide by our responsibilities as established in *The Crown Corporations Act*, 1993 and assist Ministers in serving the common good.

Professional Principles

We are committed to: excellence and merit; providing objective and impartial advice to the Government; and serving the people of Saskatchewan.

Ethical Principles

Honesty, integrity, and courage guide our actions and decisions. We work to achieve the goals of the Corporation and enhance its reputation in the Saskatchewan and global community.

People Principles

We trust our colleagues, respect their needs and aspirations, recognize their contributions and commit to working as a team in fulfilling the Corporation's goals and objectives; we draw strength and creativity from the diversity of Saskatchewan society.

CIC'S CORPORATE POLICIES

CIC strives to maintain the highest legal and ethical standards in all its business practices. Each employee is expected to act responsibly and with integrity and honesty, and to comply with CIC's code of conduct and its underlying policies and instructions.

CIC operates under a complete, regularly updated and approved set of corporate policies and procedures.

CIC requires all employees, including new employees at time of hire, to annually confirm in writing that they have read, understand and agree to comply with the policies relating to employee conduct.

- Conflict of Interest Policy
- Code of Conduct
- Personal Information Privacy Protection
- Internet, E-mail and Computer Use Policy
- Anti-Harassment Policy

OVERSIGHT OF SUBSIDIARY CROWN CORPROATIONS

CIC is the financially self-sufficient holding company for 11 subsidiary commercial Crown corporations. In its oversight role of the Crown sector, CIC is responsible for developing broad policy control, directing investment, and providing dividends to the provincial government's General Revenue Fund.

CIC oversees and manages a comprehensive framework designed to strengthen governance, performance and accountability of subsidiary Crowns. CIC also assists subsidiary Crown Boards in discharging their responsibility of overseeing and directing the management of the Crowns. CIC is committed to implementing governance, reporting and disclosure practices consistent with those of publicly-traded companies, where such practices can reasonably be applied to the public sector. Specifically CIC provides oversight on behalf of the shareholder for the Crown sector by:

1. Promoting best practices in governance by defining roles and authorities supported by advisory services to subsidiary Crown Boards and Crown sector policies; and

2. Providing strategic direction from the shareholder and holding company as well as establishing and monitoring performance management including quarterly financial and performance reporting to the CIC Board of Directors.

PROMOTING BEST PRACTICES IN CROWN SECTOR GOVERNANCE

CIC works with its subsidiary Crown corporation Boards of Directors to assist them to adapt and implement leading corporate governance practices and standards as applicable to a public enterprise. CIC delivers centralized corporate secretarial and governance advisory services to the Crown Boards, supports boards in identifying director skill sets required to function effectively, assessing and improving their performance and sponsoring a chartered director certification program to enhance their overall skills.

Management Certification of Financial Statements

Beginning with the 2009 financial statements tabled in the Saskatchewan Legislative Assembly for CIC and all subsidiary Crown corporations, CIC has implemented CEO / CFO certification of all financial statements. The CEO / CFO certification is similar to the certification policies implemented by the Canadian Securities Administrators on publically listed companies.

CIC and its subsidiaries are one of the first government organizations to implement a certification policy. CIC is continuing to ensure that its Crown sector follows best practice for publicly accountable companies.

PROMOTING BEST PRACTICES IN CROWN SECTOR GOVERNANCE (continued)

Enterprise Risk Management

CIC's long term objective is for all its subsidiary Crown corporations to have appropriate and consistent enterprise risk management (ERM) frameworks in place. CIC has developed an ERM minimum standards policy that all subsidiary Crowns will be required to comply with over time. CIC's minimum standards for risk management framework are consistent with ERM leading practices. ERM Involves:

- Indentifying risks;
- Analyzing and quantifying risk impact;
- Assessing and prioritizing risks;
- Establish strategies for controlling risk; and
- Monitoring and reporting.

The subsidiary Crown corporations will be expected to participate in regular, formal risk management reporting both internally, and to CIC. CIC will report comprehensively on risk management for each Crown corporation to the CIC Board beginning in 2012. This policy was approved by the CIC Board of Directors in 2010.

Accountability and Transparency

CIC has developed a comprehensive performance evaluation system applicable to all its subsidiary Crown boards. Evaluations are conducted on a two-year cycle, with some aspect of performance evaluated annually. In 2010, all operational Crown boards implemented performance evaluations of the Board and the Board Chair.

Communication of Shareholder Expectations

Open, timely and reliable communication between the shareholder and the Crown Boards is key to a successful governance framework. CIC and its subsidiary Crown corporations have initiated several effective communication channels, including:

- regular meetings between the Chairs of the Crown Boards and senior CIC officials to discuss shareholder priorities and share information regarding matters of mutual interest;
- meetings with the Chairs of Committees of the Crown Boards, as required, to inform about initiatives that will impact the Committee's area of responsibility;
- monthly reports from the Crown Board Chairs to the CIC Board highlighting items of significance considered at the board level, major Crown initiatives and significant corporate risks; and
- meetings of CIC's President & CEO with the Presidents of subsidiary Crown corporations.

Board Professional Development

CIC is committed to providing the members of its subsidiary Crown boards with the education necessary to effectively discharge their responsibilities, and has provided a training program to its boards since 1998. In 2009, CIC began offering The Directors' College chartered director certification program to directors serving on CIC subsidiary Crown corporation Boards. This joint initiative of the Conference Board of Canada and McMaster University can lead to designation as a Chartered Director for individuals who complete all the program requirements. Participation is limited to 30 directors per module. Five modules of the program have been delivered twice, once in 2009, and again in 2010. The program is voluntary, but has been well-received.

BENCHMARKING GOVERNANCE AND CORPORATE DISCLOSURE

Conference Board of Canada Governance Index Survey

The Conference Board of Canada (CBoC) maintains a 30-year database that allows boards to benchmark their performance and governance practices against those of selected leading comparator boards in the public and private sectors in Canada (the Governance Index). CIC has used the CBoC Governance Index to gain an external perspective on the governance practices of its subsidiary Crown Boards. In previous surveys, the ratings achieved by CIC's Crown Boards have surpassed those of all other boards in the public and private sector whose ratings were recorded in the CBoC's database. CIC initiated its fourth Governance Index survey in 2009, with the results being received in 2010. CIC subsidiary Crown Boards achieved a Governance Index rating of 17.33 in 2009, representing continued progress from a rating of 15 in 1999, 16.75 in 2001 and 17 in 2005.

Conference Board of Canada Reporting and Disclosure Review

On a two year cycle, CIC engages the CBoC to conduct a review of the reporting and disclosure of CIC and its subsidiary Crown corporations through their Annual Reports. The review is to:

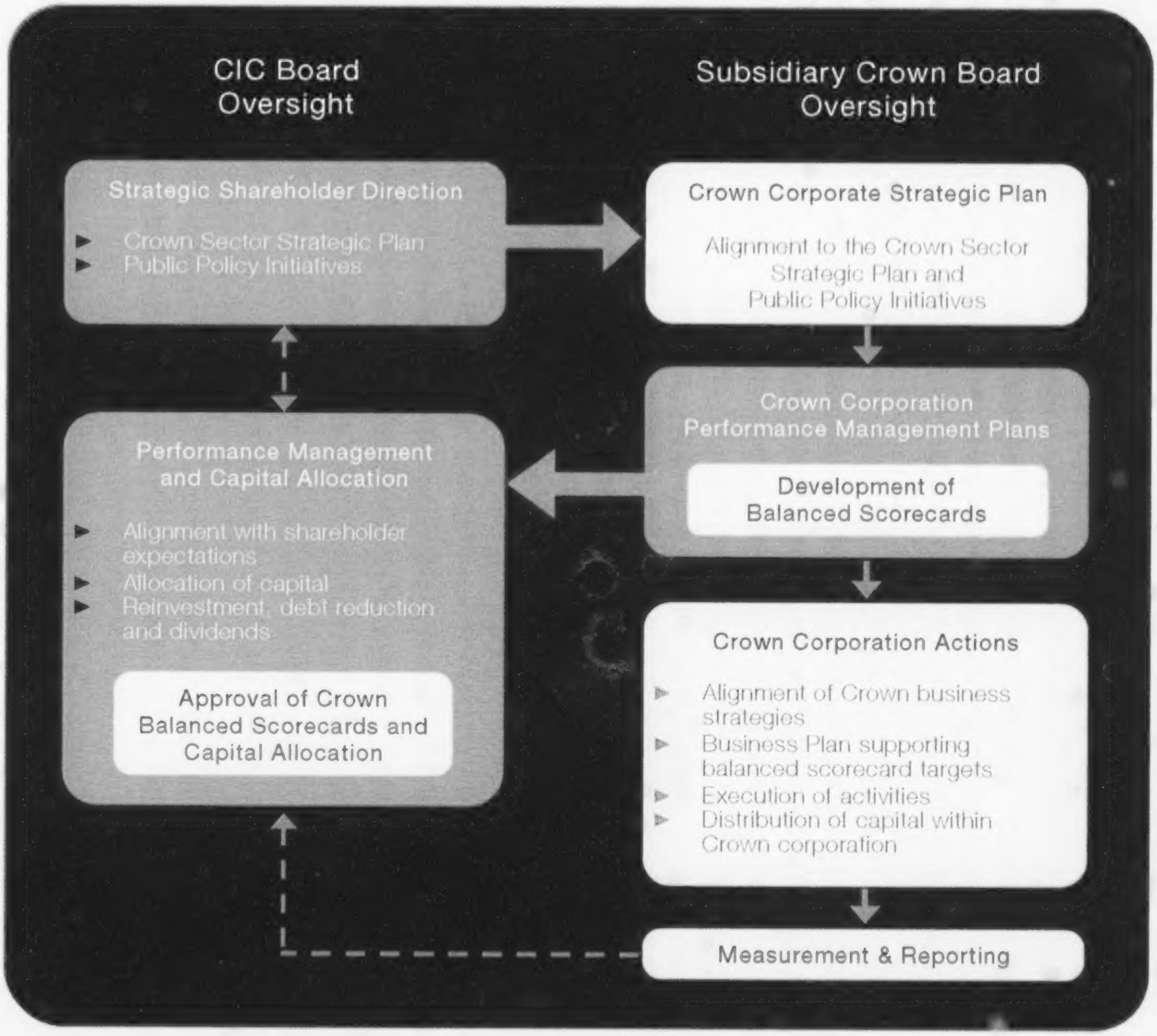
1. Update a best practices matrix to reflect the latest standards of reporting, accountability and governance of corporations in both the private and public sectors;
2. Evaluate the disclosure and reporting of Saskatchewan's Crown corporations through a review of their Annual Reports against the best practices matrix; and
3. Provide CIC with performance reports of each Crown corporation in comparison to the best practices matrix and relative to benchmarked comparable private companies and Crown corporations.

The last review was conducted on the 2008 Annual Reports. The next review will be the 2010 Annual Reports.

SHAREHOLDER DIRECTION & PERFORMANCE MANAGEMENT

CIC communicates shareholder direction to its subsidiary Crown corporations and monitors their performance against targets and measures approved by the CIC Board. The Strategic and Performance Management Model depicted below demonstrates how strategic direction is relayed and performance is managed in the Crown sector.

CIC's Strategic and Performance Management Model:


CIC Board Oversight
Subsidiary Crown Board Oversight
Strategic Shareholder Direction
Crown Sector Strategic Plan
Public Policy Initiatives
Crown Corporate Strategic Plan
Alignment to the Crown Sector Strategic Plan and Public Policy Initiatives
Crown Corporation Performance Management Plans
Development of Balanced Scorecards
Performance Management and Capital Allocation
Alignment with shareholder expectations
Allocation of capital
Reinvestment, debt reduction and dividends
Approval of Crown Balanced Scorecards and Capital Allocation
Crown Corporation Actions
Alignment of Crown business strategies
Business Plan supporting balanced scorecard targets
Execution of activities
Distribution of capital within Crown corporation
Measurement & Reporting

Strategic Shareholder Direction

The first stage in the process is the development of the Crown Sector Strategic Plan, led by CIC. The Crown Sector Strategic Plan articulates shareholder expectations and provides medium to long-term direction to the Crown sector.

SHAREHOLDER DIRECTION & PERFORMANCE MANAGEMENT (continued)

Subsidiary Crown Corporation Plans

The second stage is the development of the subsidiary Crowns' Corporate Strategic Plans, demonstrating alignment to the shareholder direction contained within the Crown Sector Strategic Plan. Each subsidiary Crown then prepares a comprehensive Performance Management Plan which includes a Balanced Scorecard with measures and targets that link to the broad strategic directions established in the Crown Sector Strategic Plan and their own Corporate Strategic Plan.

Performance Management Approval and Reporting

The third stage is approval of each subsidiary Crown's Performance Management Plan by the CIC Board. Every year, the CIC Board reviews and approves each Crown's Performance Management Plan for the upcoming year. These performance plans are monitored throughout the year, with quarterly reviews and reports submitted to the CIC Board. In addition to approving the performance objectives, the CIC Board determines the capital allocation among Crown corporations for reinvestment, debt reduction and dividends.

SASKATCHEWAN RATE REVIEW PANEL

The Saskatchewan Rate Review Panel (the Panel) was established in 2000 as an advisor to the Minister Responsible for Crown Investments Corporation. The Panel's role is to conduct reviews of rate change proposals from SaskPower, SaskEnergy and SGI (on behalf of the Saskatchewan Auto Fund). On referral by the Minister, the Panel conducts reviews and provides opinions on the reasonableness of rate change proposals considering: the interests of the customer, the Crown corporation and the public; consistency with the Crown corporation's mandate; comparison to relevant industry practices; and, effect on competitiveness related to other jurisdictions. The Panel then provides an opinion to the Minister on the proposed changes and releases a public report outlining its recommendations. The Provincial Cabinet makes the final decision on rate change requests.

CIC acts as a liaison between the Panel and the Minister as required. In this role, CIC may provide the Panel with assistance, guidance and oversight to fulfill its mandate.

The members of the Panel during 2010 were:

- Kathy Weber, Chair
- Bill Barzeele, Vice-Chair
- Delaine Barber, Member
- Steve Kemp, Member
- Burl Adams, Member
- Lyle Walsh, Member
- Daryl Hasein, Member

For more information, see the Panel's web site at www.saskratereview.com

MEASURING CORPORATE PERFORMANCE

CIC utilizes a widely accepted performance measurement system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format, very similar to that of a report card. The Balanced Scorecard enables CIC to facilitate strategic execution, accelerate continuous performance improvement while creating greater internal and external accountability and transparency.

The Balanced Scorecard is therefore a means to articulate corporate strategy, motivate the organization to achieve desired targets and to enable the executive and the shareholder to monitor these results.

In terms of reporting, CIC provides its Board with quarterly progress reports on CIC's performance relative to targets in addition to the public annual reporting on past year results and future year forecasts.

CIC'S BALANCED SCORECARD PERSPECTIVES

CIC's 2010 scorecard contains four perspectives namely:

- Crown Sector Oversight;
- Strategic Shareholder Initiatives;
- Asset Management; and
- CIC Internal Operations

Crown Sector Oversight

This perspective highlights CIC's value in leading Saskatchewan's Crown sector through the articulation of the shareholder's business vision and strategy. CIC does this by establishing financial frameworks and performance management objectives and by providing corporate governance guidance and support to the Crowns and their Boards of Directors.

CIC ensures a balance exists between the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector. CIC is committed to continuing efforts to make the Crown sector more open and accountable, and to provide a greater degree of public transparency in the results of the Crown sector's operations.

Strategic Shareholder Initiatives

This perspective challenges CIC to understand and assess emerging issues by providing professional and timely advice and guidance to the shareholder. It captures CIC's role in implementing those initiatives to support the Government's strategic objectives for the Crown sector.

Asset Management

This perspective deals with CIC's role in supporting and administering an effective divestiture of CIC Asset Management Inc. investment portfolio that optimizes financial and public policy outcomes on behalf of the shareholder.

CIC Internal Operations

This perspective challenges the corporation to develop and deploy those tools that enable the corporation to operate in an efficient manner and achieve its goals.

It also recognizes the commitment by CIC to report on the operations of CIC and its subsidiary Crowns and facilitate accountability and transparency. CIC continues to advance its reporting practices so that the information it provides to the CIC Board, the Legislature, and the public is timely, accurate and understandable; and that the information demonstrates the efficient and effective use of resources.

CIC'S BALANCED SCORECARD – 2010 RESULTS

Performance Indicator Key:

●	Exceeds Target	>105%
●	On Target	100%
●	Slightly off Target	<100%
●	Below Target	< 90%
●	Not Reported this Period	

	Crown Sector Oversight		
Strategic Objective	**Performance Measure**	**2010 Target**	**Year End Results and Variance Analysis**
Effective oversight of the province's commercial Crown corporations on behalf of the shareholder	CIC Board: Performance Index	≥ 3.5 (5 point scale)	● Rating of 3.9 out of 5[1]
Lead best practices in governance in the Crown sector	Governance Rating by the Conference Board of Canada	Non reporting year (2 year cycle)	● Non reporting year – Next review in 2011.
Provide an appropriate return to the people of Saskatchewan	CIC dividend and equity repayments to the General Revenue Fund	$276M Dividend and $120M Equity repayment	● $471M Dividend and $120M Equity Repayment[2]
Ensure that the Crown sector is financially sustainable and financially flexible	Consolidated ROE Target	9.1%	● 9.6%
	Consolidated Debt Equity Ratio	55.9%	● 50.4%
	Sustainable Dividend Generally <90% of Earnings	<90% of Crown earnings	● Dividends are 90% of Crown earnings
Provide expertise and guidance to support the CIC Board	CIC Board: Performance Index	≥ 4.1 (5 point scale)	● Rating of 4.6 out of 5[1]
Advance Crown corporation reporting and disclosure against best practice standards	Review of reporting and disclosure by the Conference Board of Canada	Non reporting year (2 year cycle)	● Non reporting year – Next review in 2011.

Management Discussion:

1. The CIC Board Performance Index is derived from responses to an annual shareholder survey. The survey is completed by CIC's Board Chair (as proxy for the Board) and evaluates CIC's performance in 9 separate categories. The areas of most improvement were as follows: Direct Board Services, Presentation of Decision Items, Shareholder Direction, Sector Performance/Financial Management and CIC Operations and Administration.
2. The dividend of $471M consists of a regular dividend of $266M, $10M for green initiatives and a $195M special dividend in support of the Children's Hospital.

CIC'S BALANCED SCORECARD – 2010 RESULTS

Performance Indicator Key:

●	Exceeds Target	>105%
●	On Target	100%
●	Slightly off Target	<100%
●	Below Target	< 90%
●	Not Reported this Period	

	Strategic Shareholder Initiatives		
Strategic Objective	**Performance Measure**	**2010 Target**	**Year End Results and Variance Analysis**
Investment in infrastructure to sustain and support economic development in Saskatchewan	Crown sector infrastructure investment in Saskatchewan	Report on Crown sector infrastructure investment in Saskatchewan to the CIC Board	● To be completed in first half of 2011
Support the provincial uranium industry development strategy	Investment in nuclear research and development in Saskatchewan	Completion of the Planning and Engagement Phase in development of a Nuclear R&D Centre of Excellence at the University of Saskatchewan	● Completed[1]
Support the provincial "Go Green" strategy and reduction of Crown sector GHG emissions	Report annual Crown sector GHG emissions	Implement pilot projects at SaskTel and Saskatchewan Gaming Corporation to track GHG emissions through The Climate Registry	● Completed
Facilitate Crown sector compliance with requirements for management and preservation of records under *The Archives Act, 2004*	Report to the Board of Directors on status of Crown sector compliance	Report to CIC Board of Directors by 4th quarter 2010	● Deferred[2]
Provide strategic human resource advice, programs and leadership to the Crowns	Monitor collective bargaining to ensure compliance with the collective bargaining framework	CIC approval of Crown bargaining proposals	● 3 completed settlements within the framework

Management Discussion:

1. An investment of $30 million in funding over seven years to establish a new research centre at the University of Saskatchewan that will re-establish the province as an international leader in nuclear science and nuclear medicine was announced by the Government early in 2011.
2. Reporting to the CIC Board has been deferred to the 1st quarter of 2011 due to other corporate priorities and limited resources related to staff reductions that occurred in 2010.

CIC'S BALANCED SCORECARD – 2010 RESULTS

Performance Indicator Key:

●	Exceeds Target	>105%
●	On Target	100%
●	Slightly off Target	<100%
●	Below Target	< 90%
●	Not Reported this Period	

	Asset Management		
Strategic Objective	**Performance Measure**	**2010 Target**	**Year End Results and Variance Analysis**
To prudently manage and divest the existing portfolio	Number of investments divested	9	● 11 Investments divested
To monitor and report on returns achieved by the portfolio	Net income	$4.9M	● ($11.0M) - Below target primarily due to provisions for impairment of assets recognized at year end[1]
	Contingent liabilities to current assets ratio	48.7%	● 46.1% - Maintained to year end at which time planned $100M share redemption by CIC took place[2]
	Proceeds from investment sales and loan repayments	$29.0M	● $49.6M - Above target due to additional loan repayments and sales of investments
	Distribution to CIC	$100M* (per Cabinet directive)	● $100M Share redemption

Management Discussion:

1. Net Income - The occurrence and extent of impairment is calculated according to the Corporation's internal valuation process which includes an assessment of the historical and projected financial results of investees, significant changes during the year, reasonability of internal forecasts, and likely proceeds in the event of sale. The majority of investee results may be outside the control of the investee company, including volatility in the industries in which they operate, value of the Canadian dollar, state of the economy, and changing market conditions.
2. Target has been revised for 2011, matching contingent liabilities to current assets at 1:1.

CIC'S BALANCED SCORECARD – 2010 RESULTS

Performance Indicator Key:

●	Exceeds Target	>105%
●	On Target	100%
●	Slightly off Target	<100%
●	Below Target	< 90%
●	Not Reported this Period	

	CIC Internal Operations		
Strategic Objective	**Performance Measure**	**2010 Target**	**Year End Results and Variance Analysis**
Timely and effective reporting of corporate results	Meet financial and performance reporting requirements	Quarterly and Annual Reports released on time	● All reports released on time as per policy or legislation
Advances CIC's reporting and disclosure against best practices	Conference Board of Canada rating against peers	Non reporting year (2 year cycle)	● Non reporting year – Next review in 2011
Prudent management and control of corporate resources	Operating expenditures	Within budget	● Within approved Operating Budget
	Capital expenditures	Within budget	● Within approved Capital Budget
Prudent management and control of corporate resources	Staff levels	Within budget	● Within approved staffing level
Promote employee and corporate success	Overall employee satisfaction	>78%	● Non reporting year[1]
	Training opportunities measured by funds allocated as a % of payroll	Up to 2.5%	● 1.73%
	Wellness Program measured by average number of casual sick days per year	Less than 4 Days	● 4.9 Days[2]
	Representative Workforce:		
	• Women in under-represented occupations	> 37.5%	● 25%[3]
	• Aboriginal	> 10.0%	● 7.8%[3]
	• Persons with Disabilities	> 5.7%	● 6.8%
	• Visible Minorities	≥ 8.6%	● 7.8%[3]
	Youth mentoring opportunities:		
	• Coop Program	1 Student	● 0 Students[4]
	• Gradworks	3 Interns	● 1 Intern[4]

CIC'S BALANCED SCORECARD – 2010 RESULTS (continued)

CIC Internal Operations (continued)

Management Discussion:

1. The survey to measure overall employee satisfaction is conducted every 2 years, 2010 is a non-reporting year.
2. The target of less than 4 casual sick days per year was set as a stretch target for 2010 when taken in context with CIC's five year average of 4.2 days per year. The actual of 4.9 days is abnormally high. Although CIC is continuing with its Wellness Program, the measurement of average number of casual sick days will not be continued in CIC's 2011 balanced scorecard performance measures.
3. In 2010 CIC experienced staff reduction of 10 individuals, of which 40% negatively impacted CIC's workforce targets. Of the 2 recruited hires in 2010, 1 individual self identified as a member of a designated representative workforce group. With a staff compliment of only 75 employees, any additions or reductions of staff in relation to representative workforce target groups have a significant impact on CIC's corporate results.
4. Youth mentoring opportunities are set with each budget on a yearly basis. Although funds are budgeted for the positions, they are based on anticipated work load and projects. During 2010, CIC did not require the additional resources originally budgeted for.

STATEMENT OF RELIABILITY

I, R.W (Dick) Carter, the President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan, and I, Blair Swystun, the Senior Vice President and Chief Financial Officer of Crown Investments Corporation of Saskatchewan, certify that we have reviewed the balanced scorecard performance results included in the Annual Report of Crown Investments Corporation of Saskatchewan.

Based on our knowledge, having exercised reasonable diligence, the performance results included in the annual report, fairly represent, in all material respects, CIC's performance results as of December 31, 2010.

RW Carter

R.W. (Dick) Carter, FCA
President & CEO

Blair Swystun, CFA
Senior Vice President & CFO

March 24, 2011

HIGHLIGHTS OF 2010

CIC as the holding company of Saskatchewan's commercial Crown corporations is responsible to the shareholder to ensure the Crown sector achieves results consistent with both shareholder direction and government policy. For 2010, the Crown sector focused on the following key strategic areas:

> Support a Private Sector Driven Economy: Creating opportunity for the private sector to provide investment capital that would have previously been provided by the Crown corporations.
>
> Invest in Infrastructure for Economic Development in Saskatchewan: Accelerate Crown investment in infrastructure development and deployment to ensure the sustainable development of Saskatchewan's economy.
>
> Prudent Financial and Fiscal Responsibility: Crowns ensure they are operating in the most efficient, transparent and effective manner possible to ensure Saskatchewan people they are getting the best economic value from their Crown corporations.
>
> Saskatchewan First: Focus capital investment towards operations and services in Saskatchewan.
>
> Advancing Public Policy: Provide business and educational opportunities for youth, First Nations and Métis.
>
> Environmental Impact: Facilitate environmentally sustainable practices in Saskatchewan by reducing the Crown sector's environmental footprint, and assisting customers to "Go Green".

With the aforementioned strategic focus, the efforts of CIC and its subsidiary Crown corporations achieved the following highlights for 2010:

Support a Private Sector Driven Economy

Where Crown corporations are considering new direct investments, in non-core services, Crowns will consider opportunities for joint business arrangements with the private sector. Examples in the Crown sector where private arrangements have occurred in 2010 include:

- ISC utilizes service providers such as Hewlett Packard (HP) and Information Systems Management (ISM) in order to support growth and continuous improvement at ISC.
- Today, SGI partners with 257 independent brokers and 404 motor licence issuers in Saskatchewan. These brokers and issuers ensure customers get the insurance coverage they need while SGI helps these private businesses remain viable in communities throughout the province.
- SaskPower is currently working with Northland Power to bring on line new natural gas generation. In 2010, SaskPower put out a request for proposal for wind power to independent power producers.
- SaskWater supplies project management to support the investment in water and wastewater infrastructure projects. In 2010, SaskWater began project management work with several potash proponents including BHP, Potash One and Vale.

HIGHLIGHTS OF 2010 (continued)

Invest in Infrastructure for Economic Development in Saskatchewan

Each Crown corporation develops short and long term capital allocation plans, which include their proposed infrastructure growth and regeneration plans. The CIC Board reviews and approves the Crowns' capital allocation plans. Examples of such investments in infrastructure in 2010 include:

- SaskTel was mandated to enhance technology investments/digital infrastructure to help drive economic growth and provide access to essential government and educational services. As a result, both the 3G+ network and rural infrastructure programs were developed.
  - The 3G+ network allows SaskTel customers to enjoy a greater selection of devices and faster network speeds. In 2010 the network became available to customers in Regina, Saskatoon, Moose Jaw, Weyburn, Estevan, Yorkton, Swift Current, Prince Albert, North Battleford, Buffalo Pound, White City, Melville, Dalmeny, Martensville, Warman, Hepburn, Waldheim and most of the connecting highways.
  - In 2009, SaskTel announced its Rural Infrastructure Program to deliver 100% high speed internet coverage and 98% wireless coverage across the province within three years. For 2010, 260 communities were upgraded to faster internet service, 350 locations were upgraded with digital subscriber line (DSL) or fixed wireless internet and 462 CommunityNet accesses were upgraded to fibre based services.
- In 2010, ISC began the development of an Online Business Portal. The Business Portal will provide a single point of access to most business services provided by Government such as registering corporate names, registering for workers' compensation and registering for provincial sales tax. The project is intended to provide a streamlined level of service to Saskatchewan businesses.
- SaskPower continues to invest in distribution and transmission upgrades and maintenance. Spending on transmission and distribution assets totaled $256 million in 2010, including $108 million to connect customers to SaskPower's system and $148 Million on sustaining infrastructure. New generation was brought on line through the Yellowhead Power Plant in 2010. This project cost $186.9 million and represents approximately 3.5% of SaskPower's installed capacity (including independent power producers).
- SaskEnergy experienced net new customer growth of 5,470 customers, bringing our customer numbers to over 352,000 by the end of 2010. Construction resources (internal and external contractors) added 5,377 new services in 472 communities throughout Saskatchewan. This level of activity is nearly 75% above the ten year average and was accomplished during one of the most weather-challenged construction seasons in our history.

HIGHLIGHTS OF 2010 (continued)

Prudent Financial and Fiscal Responsibility

CIC monitors and measures the accountability of Crowns in terms of reporting and disclosure to the public. Bi-annually CIC engages the Conference Board of Canada to measure the Crowns against industry best practices and peers for public reporting and disclosure. In addition, several of the Crowns received awards from prominent organizations for their reporting.

For 2010, the Canadian Institute of Chartered Accountants (CICA) announced the best corporate reporting models at the 59th Corporate Reporting Awards. The awards acknowledge corporations who share a common goal -- to report with integrity and transparency, and ensure stakeholders have what they need to make the right decisions. Of the winning companies, two Saskatchewan Crown corporations were among them:

- Saskatchewan Telecommunications Holding Corporation (SaskTel)
- Saskatchewan Transportation Company (STC)

CIC, and its subsidiary Crown Corporations continue to contribute to the fiscal stability of the province. In 2010, CIC and its subsidiaries had another strong financial performance.

SASKATCHEWAN
Economic Impact of Crown Corporations

	2006	2007	2008	2009	2010
Return to Holding Company Dividends Paid to CIC	$342.7 M	$221.1 M	$773.4 M*	$258.1 M	$276.1 M
Supporting Saskatchewan Local Purchasing	----------------Greater than $1 Billion Annually----------------				
Economic Driver Contribution to Provincial GDP	----------------Greater than $2 Billion Annually----------------				
Return to Shareholder Dividends to the General Revenue Fund	$167 M	$200 M	$365 M	$755 M	$471 M
Crown Corporations Holdings Assets Managed by CIC	$9.4 B	$9.6 B	$10.6 B	$10.2 B	$10.4 B

* Includes dividends paid to CIC from proceeds from the sale of SaskFerco Products Inc.

CIC has a critical role in balancing the competing uses of capital in providing returns to the GRF, reinvesting in the province's infrastructure through the Crowns, and maintaining financial flexibility of the sector, while providing public policy spending support for initiatives such the Energuide Program through SaskEnergy and to subsidize the operations of Saskatchewan Transportation Company (STC).

HIGHLIGHTS OF 2010 (continued)

Saskatchewan First

In 2008, the Government approved a Crown sector policy for guiding current and future out of province investments by CIC Crown corporations. Several currently held investments were reviewed and where feasible, those existing investments will be divested in a thoughtful manner with a goal to maximize returns. The following occurred in 2010 as a result of the Crowns operating under this policy:

- SaskTel completed the sale of AgDealer and negotiated the sale of Hospitality Network in 2010. SaskTel has now completed all of the investment sales that were identified with the announcement of the SaskFirst policy direction.
- CIC continues to monitor the progress SaskEnergy is making towards divesting of its remaining two external investments; Gas Sur and Igasamex.

Advancing Public Policy

The Government is committed to building a strong future for the people of Saskatchewan. To this end, CIC and its subsidiary Crown corporations have programs and initiatives of public policy such as:

- In 2010, SaskEnergy continued to deliver the Saskatchewan Energuide for Houses Program which is funded by CIC. In 2010 over 6,000 homeowners completed the pre-retrofit evaluation.
- STC fulfills its public policy role by providing accessible, affordable and quality transportation service in Saskatchewan. Its commitment to this role was demonstrated through strong customer satisfaction in 2010. Throughout the year, STC maintained service to 290 communities and ridership increased by 3.8% over 2009.
- Crown corporations are showing leadership by providing job opportunities to recent graduates, allowing them to stay in Saskatchewan to build their careers and raise their families. Gradworks is part of a multi-year investment intended to provide employment opportunities by recruiting talented, high potential candidates. Gradworks offers career-focused, 12 month internships within the Crown sector to recent post secondary graduates.

CIC has committed up to $2 million over five years to the expanded Aboriginal Bursary Program from 2009 to 2013. The extended program awards bursaries to qualifying students at the the following post-secondary institutions; the U of S, U of R, SIIT, SIAST and Lakeland College. Bursaries are $2,500 per semester, $5,000 per academic year per qualifying student.

- In 2010, 125 bursaries were awarded 64 (Winter) and 61 (Fall).
- Since 2004, 656 bursaries have been awarded.
- Each institution will receive 20 bursaries per year, up to $100,000 per academic year, with a maximum of $500,000 over 5 years.

The bursary focus at SIAST and SIIT is in the areas of business, trades and technology, at the U of S the bursaries are available to business students and at the U of R, the bursaries are open to all academic disciplines.

The Saskatchewan Crown corporations are major employers in the province. As such, the Crowns appreciate the importance of having a progressive human resource policy, competitive compensation and an engaged workforce. Congratulations to the Crown corporations honoured in 2010 as a Top Employer.

HIGHLIGHTS OF 2010 (continued)

Advancing Public Policy (continued)

Four Saskatchewan Crown corporations were recognized for excellence as part of the 2010 Top 100 Employers Competition in Canada.

- SGI
- SaskTel
- SaskEnergy
- ISC

CIC is among seven Crown corporations named as one of Saskatchewan's Top 20 Employers in 2010.

- CIC
- ISC
- SGC
- SGI
- SaskEnergy
- SaskPower
- SaskTel

Environmental Impact

In 2010, CIC facilitated environmentally sustainable practices in the Crown sector as well as implementing initiatives and programs on behalf of the Government to support a "Go Green" strategy. In 2010, the following occurred within the Crown sector:

- SaskPower continued two lighting exchange programs (the Light String Exchange and the Halogen Floor Lamp Exchange Program). Over two weekends, people could exchange their old incandescent seasonal light strings and halogen floor lamps at participating retailers for a coupon towards a new string of seasonal LEDs and/or an energy efficient compact fluorescent floor lamp. SaskPower ensured the old lights were recycled responsibly. More than 14,000 light strings were collected resulting in a reduction of about 1.8 megawatts (MW) and just under 300,000 kilowatt hours, coming at a peak time for SaskPower.
- To acquire new, environmentally preferred power, SaskPower started the Green Options Partners Program in 2010. The Green Options Partners Program streamlines the process by which medium-sized clean power producers can generate and sell between 100 kilowatts (kW) and 10 MW of electricity to SaskPower. Also in 2010, the program allowed SaskPower to purchase up to 50 MW from medium-sized power producers. Of this 50 MW, 25 MW can be made up of wind power and the remaining megawatts are to be purchased from other clean power production facilities.
- For the second consecutive year, SaskTel has been named one of Canada's Greenest Employers by Mediacorp Canada Inc. The Canada's Greenest Employers competition recognizes 50 employers who lead Canada in creating a culture of environmental awareness and whose environmental leadership is attracting people to their organizations. SaskTel is the only Saskatchewan-based company on this year's list.
- SGI recovered 90,000 litres of fuel and 7,520 litres of antifreeze from total loss vehicles and also recycled 315,296 pounds of paper in 2010. SGI continued to implement on-line services such as eClaim and online vehicle renewals to reduce paper usage and promote environmental sustainability.

STAKEHOLDER FEEDBACK

In CIC's pursuit to continually increase the value it provides to its stakeholders, CIC undertakes an annual stakeholder feedback process. Each stakeholder group is surveyed regarding the value of the functions performed by CIC. The key strategic stakeholder groups for CIC include:

- CIC Board of Directors (as the representative of the shareholder to ensure mandates and activities are consistent with the interest and intent of Government)
- Crown Subsidiary Board of Directors (as the stewardship body with fiduciary duty to the Crown's operations)
- Crown Subsidiary Executives (as the corporations' management body to conduct operations under the Board's stewardship and direction)

The subsidiary Crown Board and Crown Executive surveys are administered by an independent agency to ensure confidential disclosure and unbiased interpretation of results. In the case of the CIC Board, which CIC has direct responsibility to; the survey is administered by CIC itself.

The surveys contain a series of questions relating to the following functions provided by CIC to its stakeholders:

Assessed Criteria	CIC Board of Directors	Crown Subsidiary Board of Directors	Crown Subsidiary Executives
Fulfilling its Mission	Yes		
Direct Board Services & Support	Yes		
Governance & Strategic Direction	Yes *	Yes	Yes
Performance Management	Yes *	Yes	Yes
Capital Allocation	Yes *	Yes	Yes
Preparation of Board / Cabinet Materials	Yes	Yes	Yes
Strategic Human Resources	Yes *	Yes	Yes
Information Sharing		Yes	
Corporate Secretariat Services		Yes	
Financial & Reporting Policies			Yes
Communications Coordination & Strategy	Yes *		Yes
Legal, Procedural and Legislative Advice			Yes
Financial Management	Yes		
Oversight of Government Initiatives	Yes		
CIC's Operations & Administration	Yes		

*Oversight on a Crown sector wide basis.

CIC reviews the survey results annually. Action plans are developed where opportunity exists to enhance the value provided to stakeholders.

2011 PRIORITIES

Each year CIC establishes a set of short term priorities based on shareholder direction and government priorities. These priorities, in turn, assist CIC in establishing the targets for the performance metrics contained in its Balanced Scorecard. The priorities also drive the development of the corporation's key action plans and initiatives for the year. These priorities are segmented into the same perspectives used within CIC's Balanced Scorecard.

Balanced Scorecard Perspective	2011 Priorities
Crown Sector Oversight	• Ensure the Crown Sector Strategic Plan reflects the priorities and policies of the shareholder and revise, or provide supplement, if required. • Prudently monitor the financial performance of the Crown sector in respect to the financial return to the GRF. • Monitor, assess and report on cost efficiencies in the Crown sector. • Continuously improve the Crown sector performance management system to provide the CIC Board with value added strategic and performance information to support decision making. • Continue advancing best practices in corporate governance and human resources.

Strategic Shareholder Initiatives	• Development and oversight over strategic public policy programs and initiatives including:
	  • Innovation Agenda
	  • Carbon Capture / Storage
	  • The International Assessment Centre for Geological Storage of CO_2
	  • First Nations Business Development Program
	  • Aboriginal Bursary Program
	  • Energuide Program
	  • Saskatchewan Immigrant Investor Fund Ltd.

Asset Management	• Divestiture of ten investments within CIC Asset Management Division • Work with the other shareholders and investee companies to position CIC AMI to exit its remaining investments as future opportunities arise. • Continue monitoring environmental liabilities related to legacy investments.
CIC Internal Operations	• Ensure CIC is effectively structured to support the Government's priorities for the Crown sector. • Manage and control costs including administration, strategic initiatives, capital allocation and staffing levels within approved budget levels. • Improve efficiency of internal operations. • Continue improvements towards best practices in corporate reporting and disclosure against industry benchmarks.

PERFORMANCE TARGETS

CIC uses the balanced scorecard approach to setting corporate performance targets and measuring performance. It is also a tool to communicate strategic intention to the shareholder and throughout the corporation. For 2011, CIC has established the following performance targets for its scorecard.

CIC'S 2011 BALANCED SCORECARD

Crown Sector Oversight

Strategic Objective	Performance Measure	2011 Target
• Effective oversight of the province's commercial Crown corporations on behalf of the shareholder	Performance assessment by CIC Board Chair	≥ 3.5 (5 Point Rating Scale)
• Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	CIC dividend and equity repayments to the General Revenue Fund	Regular dividend of $110M and a special dividend of $18.5M[1]
	Consolidated ROE target	8.8%[2]
	Consolidated Debt Equity Ratio	55.4%[2]
• Advance best practice standards in the Crown corporations	Governance Rating: Benchmarking by the Conference Board of Canada	Rating in top quartile
	Reporting and Disclosure Rating: Benchmarking by the Conference Board of Canada	Sector average rating of "B+" on previous year Annual Report

Strategic Shareholder Initiatives

Strategic Objective	Performance Measure	2011 Target
• Implement key strategic public policy and programs as directed by the shareholder	Support the provincial innovation agenda	Establishment of the Institute for Nuclear Studies (U of S)
		Development of a major research cyclotron R&D Facility (U of S)
	Support the provincial "Go Green" strategy and reduction of Crown sector GHG emissions	Implement Crown sector GHG emission measurement and reporting
		Financial and project oversight of SaskPower's Boundary Dam - Unit 3 ICCS Demonstration Project[3]
	Development and oversight of new public policy programs and initiatives	Sask. Immigrant Investors Fund Ltd.
		Aboriginal Bursary Program

---

[1] Special dividend includes $10.0M to the "Go Green" initiative and $8.5M to the Innovation Agenda initiative.
[2] Subject to revision of retained earnings under the adoption of IFRS.
[3] CCS - Integrated Carbon Capture and Storage.

PERFORMANCE TARGETS (continued)

CIC'S 2011 BALANCED SCORECARD (continued)

Asset Management

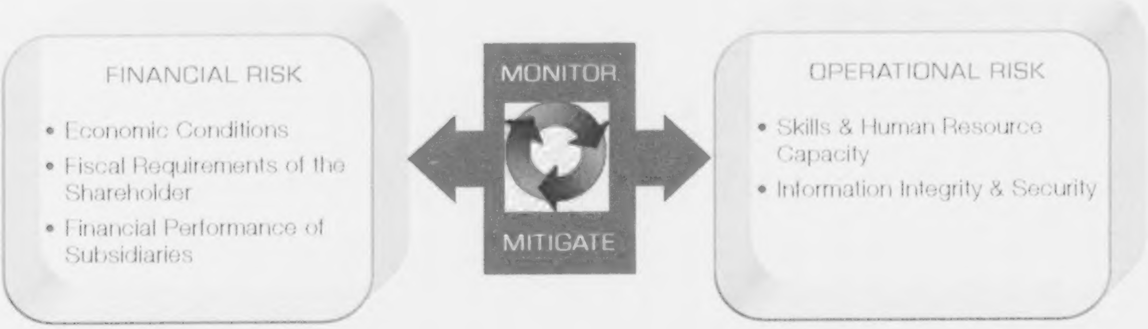
Strategic Objective	Performance Measure	2011 Target
• To prudently manage and divest the existing portfolio	Number of investments divested	10 Investments
• To monitor and report on returns achieved by the portfolio	Net income	($7.0M)
	Current assets to contingent liabilities ratio	1:1
	Proceeds from investment sales and loan repayments	$38.8M
	Distribution to CIC	Per Cabinet directive

Internal CIC Operations

Strategic Objective	Performance Measure	2011 Target
• Advance best practices in CIC's reporting and disclosure	Meet financial and performance reporting requirements	Quarterly and Annual Reports released on time
	Rating against peers Benchmarking by the Conference Board of Canada	Rating of "B+"
• Prudent management and control of corporate resources	Operating expenditures	Within budget
	Capital expenditures	Within budget
	Staffing level	Within budget
• Promote employee and corporate success	Overall employee satisfaction	≥ 78%

RISK ASSESSMENT

As a self sufficient holding company of 11 commercial Crown corporations, there are a range of factors that create risk for CIC. CIC has identified the principle elements that impact the corporation either financially or operationally. Conceptually, CIC views its risk environment as follows:


FINANCIAL RISK
• Economic Conditions
• Fiscal Requirements of the Shareholder
• Financial Performance of Subsidiaries
MONITOR
MITIGATE
OPERATIONAL RISK
• Skills & Human Resource Capacity
• Information Integrity & Security

Economic Conditions:

- Changes in the economy are an inherent part of business risk that affects CIC and its subsidiaries.
- Several of CIC's subsidiaries operate in the utilities and infrastructure sectors where commodity and market prices have a significant effect on financial performance.

Fiscal Requirements of the Shareholder:

- CIC primarily relies on the financial performance of its subsidiaries in order to provide an appropriate financial return to the shareholder by way of a dividend paid to the province's General Revenue Fund.

Financial Performance of Subsidiaries:

- CIC relies on the financial performance of its subsidiaries in order to meet its own financial commitments to the shareholder.
- The diverse nature of CIC's subsidiaries creates challenges in ensuring that both individual Crowns, and overall Crown sector financial targets are achieved.

Skills & Human Resource Capacity:

- CIC recognizes the importance of the specialized skills required in order for the corporation to fulfill its mission.
- CIC understands the changing labour market and the increased competition to attract and retain talented employees.

Information Integrity & Security:

- CIC employs secured and dedicated facilities for all its financial transactions, and incorporates oversight and policies towards the complete protection of corporate resources.
- CIC deploys off site backup, archives and disaster recovery systems to ensure the safeguarding of corporate information.

CIC EMPLOYEE SOCIAL RESPONSIBILITY

CIC is committed to giving back to the community and the people of Saskatchewan. Every year, CIC and its employees raise funds and volunteer with a variety of community and charitable initiatives, including, the United Way, Adopt-A-Family campaign and Habitat for Humanity. Employees take part in the selection of the charitable groups to support each year. In the spirit of social responsibility, CIC provides its employees with paid time off to volunteer with their favorite charitable organizations.

CIC employees supported corporate fundraising through four large volunteer initiatives in 2010. The United Way campaign, Adopt-A-Family, Habitat for Humanity and Souls Harbour Rescue Mission.

United Way Campaign

Annually, the CIC United Way Committee designs a fund raising campaign. In 2010, CIC's goal was to raise $16,000 for the United Way. Staff participated in the campaign throughout the month of October which included various activities such as a chili cook off and an auction sale. All money raised by staff was matched by CIC. CIC surpassed its goal, raising a total of $ 21,151.06.

United Way

Adopt-A-Family

In 2010, the CIC Social Committee participated in the Salvation Army's "Adopt a-Family" program by sponsoring 4 families. Each family was provided with gifts for the children and parents, warm hats and mittens and a food hamper allowing each family a festive Christmas dinner. CIC staff spent many hours collecting donations, shopping for gifts and food, wrapping gifts and delivering to the families.

Habitat for Humanity

On August 28, 2010, five (5) CIC employees joined a volunteer team to assist Habitat for Humanity with a local building project. The Habitat for Humanity organization works to provide safe and affordable housing for people locally, nationally and internationally. The CIC volunteers felt the expereince was both enriching and a lot of fun!

Souls Harbour Rescue Mission

Seven CIC staff volunteered at Souls Harbour Rescue Mission. Souls Harbour Rescue Mission is a non-profit organization in Regina that relies on donations and volunteerism to combat homelessness, poverty and related issues. The volunteers spent an evening in November preparing and serving dinner to the less fortunate.

EMPLOYEE ENGAGEMENT

CIC supports employee engagement in the workplace. There are several employee committees internal to CIC where employees can network, volunteer, and participate in the CIC community.

Awards & Recognition Committee

Two programs were developed and implemented in late 2009 as a means to recognize the achievements of CIC staff members. The Long Service Awards Program recognizes employees at various intervals during their public service careers. Secondly, the Above and Beyond Program allows employees to nominate their peers for a job well done. In 2010, awards were presented to staff in both categories.

Environmental Stewardship Committee

This committee reviews and monitors current internal environmental practices, including recycling programs for paper, cans and batteries. By investigating corporate best practices, the committee assists CIC in reducing its environmental footprint.

Occupational Health & Safety Committee

CIC is committed to ensuring a safe and healthy working environment and continues to comply with all legislated responsibilities. Every CIC employee has a responsibility to work together to identify health and safety concerns in the workplace. This committee's ultimate objective is to ensure that every CIC employee integrates health and safety into their daily work routine.

Social Committee

The CIC Social Committee consists of staff volunteers who continually strive to improve employee morale by bringing employees (and their families) together in social settings inside and outside of work hours.

Wellness Committee

The CIC Wellness Committee was established to identify health and wellness needs and concerns among CIC staff. This committee continues to assist employees in their quest to become healthier and achieve balance. In 2010, the committee hosted lunch and learns, and provided healthy snack options throughout the corporation.

SPONSORSHIPS & DONATIONS

CIC actively supports a variety of local charitable initiatives. Through its corporate donations program, CIC donated $118,759.53 to 38 non-profit and charitable organizations across the province in 2010. CIC's corporate donations can be broken down as follows:

Aboriginal Communities

Among the various aboriginal initiatives at CIC, sponsorship dollars are provided to aboriginal organizations throughout Saskatchewan. Examples of these organizations are as follows: Stepping Stones Career Fair, Federation of Saskatchewan Indian Nations and The Aboriginal Government Employees' Network.

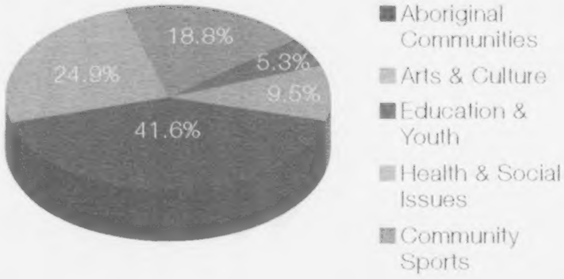
Arts and Culture

In 2010, CIC sponsored various cultural events, such as The Globe Theatre, Regina Folk Festival and the Saskatchewan Science Centre.

Education and Youth

CIC supports a variety of youth and educational services across Saskatchewan. In 2010, CIC provided sponsorship to The Adult Learning Centre, Junior Achievement of Saskatchewan and Saskatchewan Institute of Applied Science and Technology Wascana Campus, to name a few.

CIC'S 2010 DONATIONS & SPONSORSHIPS



Health and Emerging Social Issues

CIC sponsors different organizations that address health and emerging social issues across Saskatchewan. Some examples of these are Ehrlo Community Services INC., The Chris Knox Foundation, and United Way Regina.

Community Sports

CIC supports such organizations as the Saskatchewan Roughriders, University of Regina Rams Football Club, University of Saskatchewan Huskies Football and Special Olympics of Saskatchewan.

CIC also works closely with educational institutions and First Nations communities across the province to promote continuing education. CIC partners with the University of Saskatchewan, University of Regina, Saskatchewan Indian Institute of Technologies, Saskatchewan Institute of Applied Science and Technology and Lakeland College to offer the Aboriginal Bursary Program. In 2010 CIC awarded 125 bursaries valued at $312,500.

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PREFACE

The purpose of the following discussion is to provide the users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2010 financial results should be read in conjunction with the audited consolidated and non-consolidated financial statements.

Producing two different views of CIC's operations and results, with consolidated and non-consolidated financial statements, is a cornerstone of our commitment to accountability and transparency. Explanations of the differing purposes of these statements are provided in the next pages.

In addition to the information on CIC's 2010 results, discussions also provide detailed information regarding our performance relative to our business plan, and what this means for the Crown sector in the future.

FORWARD-LOOKING INFORMATION

Throughout the Annual Report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook", "expect", "anticipate", "project", "continue", or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

CIC prepares three sets of financial statements, its consolidated financial statements and non-consolidated financial statements, and consolidated statements for its share capital subsidiary CIC Asset Management Inc. (CIC AMI).

CIC CONSOLIDATED FINANCIAL STATEMENTS

These statements illustrate CIC's results consolidated with the results of its subsidiary corporations. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, ISC, SGC, STC, SaskWater, SOCO, and SDFC);
- Financial results for CIC's wholly-owned subsidiaries, (Gradworks Inc., CIC Economic Holdco Ltd., First Nations and Métis Fund Inc., CIC Apex Equity Holdco Ltd., Saskatchewan Immigrant Investor Fund Inc. and CIC AMI);
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating results and public policy expenditures.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e., revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated earnings represent CIC's earnings as the shareholder of the Saskatchewan commercial Crown sector. These statements assist CIC in determining its capacity to pay dividends to the GRF. The non-consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations, and public policy expenditures. These financial statements include:

- Dividends from subsidiary Crown corporations;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and
- CIC's operating results and public policy expenditures.

CIC ASSET MANAGEMENT INC. CONSOLIDATED FINANCIAL STATEMENTS

CIC AMI was created as a vehicle to hold certain investments of a commercial nature which involve some degree of private ownership. The financial statements are prepared in accordance with GAAP and include:

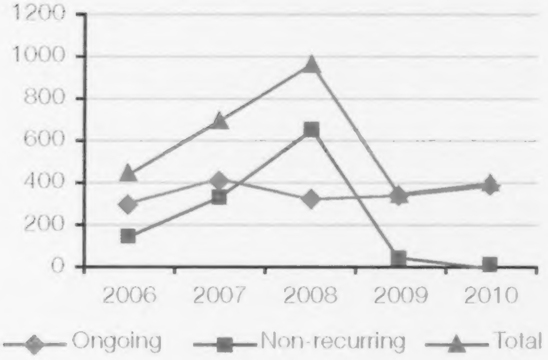
- Financial results of its subsidiary corporations, joint ventures and equity accounted investments;
- Interest revenue on CIC AMI's short-term investment portfolio and loan portfolio;
- Gains or losses from the disposal of investments held; and
- Operating expenses.

CIC'S 2010 FINANCIAL HIGHLIGHTS

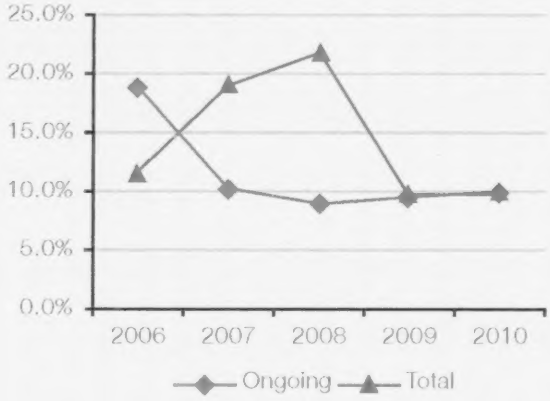
(millions of dollars)	2010	2009	2008	2007	2006
CIC Consolidated					
Consolidated earnings	**$ 394.8**	$ 348.7	$ 978.2	$ 696.3	$ 441.1
Consolidated assets	**10,414.8**	10,256.3	10,586.4	9,630.9	9,661.1
Consolidated debt[1]	**4,523.0**	4,205.9	4,033.6	3,858.0	3,783.6
Dividend to the GRF	**471.0**	755.0	365.0	200.0	167.0
Return on equity	**9.6%**	7.9%	22.2%	17.8%	12.6%
CIC Non-Consolidated					
Dividend revenue	**$ 276.1**	$ 258.1	$ 773.4	$ 221.1	$ 342.7
Non-consolidated earnings	**308.7**	176.7	749.3	576.9	322.3
Cash return on equity	**29.0%**	36.8%	16.5%	10.5%	10.2%
CIC Asset Management Inc.					
Consolidated (Loss) earnings	**$ (11.0)**	$ (32.8)	$ 691.0	$ 11.5	$ 72.9
Consolidated assets	**276.0**	392.8	564.5	652.5	1,369.1

[1] Consolidated debt includes long-term debt, long-term debt due within one year and notes payable.

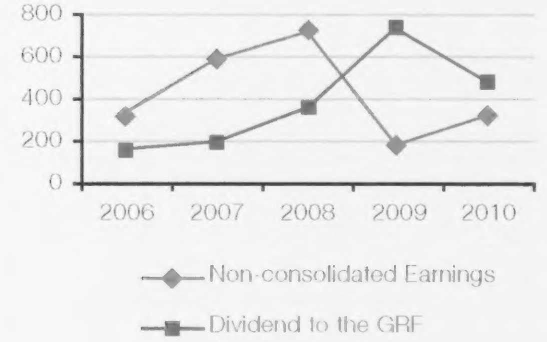
CONSOLIDATED EARNINGS



CONSOLIDATED RETURN ON EQUITY



NON-CONSOLIDATED EARNINGS AND DIVIDENDS TO THE GRF



CIC (non-consolidated) posted higher earnings in 2010 due to a recovery of a write-down of CIC AMI shares. CIC's strong cash position allowed CIC to pay a dividend of $471.0 million to the GRF.

A BALANCED APPROACH TO SHAREHOLDER RETURN

- CIC is focused on providing a reasonable return to the Province. This priority must be balanced with its public policy initiatives.
- CIC declared and paid a dividend of $471.0 million to the GRF.
- CIC's consolidated return on equity was 9.6 per cent.
- These returns were accomplished while supporting the following public policy initiatives:
    - Saskatchewan EnerGuide for Houses;
    - FleetNet, a provincial emergency communications network;
    - Gradworks Inc., an internship program for the Crown sector;
    - STC transportation routes in the province;
    - SaskPower carbon capture and storage initiative;
    - First Nations and Métis Fund Inc., a venture capital fund focusing on the aboriginal small business sector; and
    - CIC Apex Equity Holdco Ltd., a joint venture interest in Apex Investment Limited Partnership, which focuses on small and medium sized business sectors.

FINANCIAL SUSTAINABILITY

- CIC monitors the financial resources of the Crown sector to ensure that financial performance targets are achieved in the current year and that the financial sustainability of the Crown sector is maintained for the future. This includes important functions such as:
    - Forecasting available cash flows over the planning horizon for dividend payments to the GRF;
    - Ensuring Crown corporations have sufficient capital available to maintain and/or expand existing infrastructure; and
    - Examining capital structures of Crown corporations (generally consisting of debt and equity) to maintain financial health.
- All decisions that impact financial resources, such as dividends from the Crown sector, dividends to the GRF, or funding of a public policy initiative, are assessed within the context of financial self-sufficiency, while contributing to the Government's priorities for the Crown sector.
- During 2010, CIC's allocation of financial resources included the following:
    - Support of the above noted public policy initiatives;
    - Declaration and payment of a dividend to the GRF of $471.0 million; and
    - Approval of capital spending plans of subsidiary Crown corporations.

ENHANCING ACCOUNTABILITY

- CIC continues to advance its financial reporting practices in support of transparency and accountability. Examples of current practices to facilitate accountability include:
    - Quarterly reports for the Crown sector, available to the public via CIC's website;
    - Disclosure of budget information in the Government's summary financial plan;
    - Annual publication of CIC's non-consolidated financial statements to report on CIC as a holding company;
    - Within the annual reports, comparisons of Crown sector results to business plan targets;
    - Providing Internal Audit services to certain CIC subsidiary Crown corporations;
    - Requiring CEO/CFO certification of internal controls over financial reporting; and
    - Developing policies and practices to ensure an appropriate and consistent risk management framework is in place for all subsidiary Crown corporations.
- CIC continuously evaluates new standards for financial reporting and corporate governance.

CIC has a diverse range of holdings. A key priority for CIC is to manage the capital resources employed within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the Province's GRF.

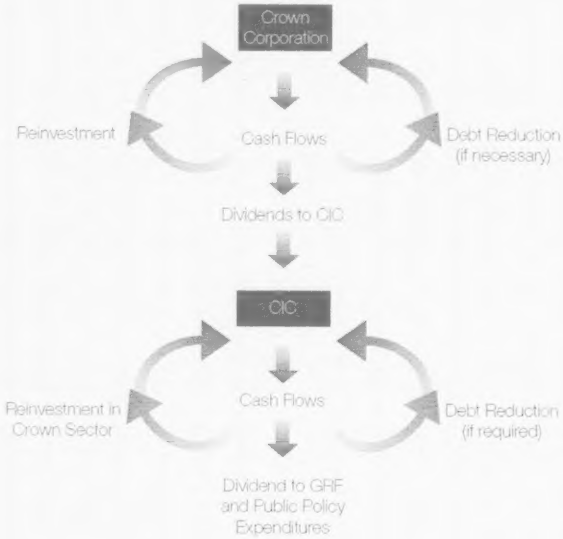
CIC manages this priority through its capital allocation framework, which is based on two integrated policies. These policies are based on the principle that there are three potential uses for cash profits:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and support public policy initiatives and economic development;
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy; and
- **Debt reduction** to support the financial flexibility of CIC's operations.

The Subsidiary Dividend Policy, focuses on managing capital resources to support the investment needs and business viability of the various business segments over the medium term. The CIC Dividend Policy, ensures that the investments provide a return to the Saskatchewan stakeholders in support of programs paid for from the GRF.

SUBSIDIARY DIVIDEND POLICY

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to the target capital structure compared to the actual capital structure.


Crown Corporation
Reinvestment
Cash Flows
Debt Reduction (if necessary)
Dividends to CIC
CIC
Reinvestment in Crown Sector
Cash Flows
Debt Reduction (if required)
Dividend to GRF and Public Policy Expenditures

CIC DIVIDEND POLICY

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment, debt reduction, and dividends to the GRF. CIC, as the holding company, does not have any debt. Therefore, cash is used for reinvestment and to pay dividends to the GRF. As well, CIC uses funds to support public policy initiatives.

CIC DIVIDEND POLICY (continued)

In 2010, CIC allocated $619.7 million of capital as follows:

Reinvestment and Public Policy Expenditures:

- $140.7 million in grant funding provided to SaskPower, SaskEnergy, STC, SaskTel, and SaskWater; and
- $8.0 million equity injection in SaskWater to support potash infrastructure projects.

Dividend:

- GRF dividend of $471.0 million in 2010.

Debt Reduction:

- No funds were used for debt repayment as CIC (non-consolidated) does not carry debt.

CIC's ability to pay dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed earnings since its inception). CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

CAPITAL STRUCTURES OF SUBSIDIARY CORPORATIONS

The following table summarizes the target capital structure of CIC's subsidiary corporations that declared dividends to CIC in 2010:

	Capital Structure Measure	Capital Structure Target	2010 Actual Capital Structure	2010 Dividend Payout Rate
SaskTel	Debt Ratio	45.0%	33.4%	90%
SaskEnergy	Debt Ratio	65.0%	65.7%	90%
SGI[1]	Minimum Capital Test	291.0%	247.0%	90%
CIC AMI[2]	Cash Availability	At Target	At Target	N/A
ISC	Debt Ratio	40.0%	42.8%	90%
SGC	Debt Ratio	50.0%	43.3%	90%

[1] Minimum Capital Test (MCT) is an indicator of financial flexibility used in the insurance industry.

[2] CIC AMI dividend is determined by cash availability formula which is not dependant on net earnings.

LIQUIDITY

CIC and its subsidiary Crown corporations borrow from the GRF, which in turn, borrows in the capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

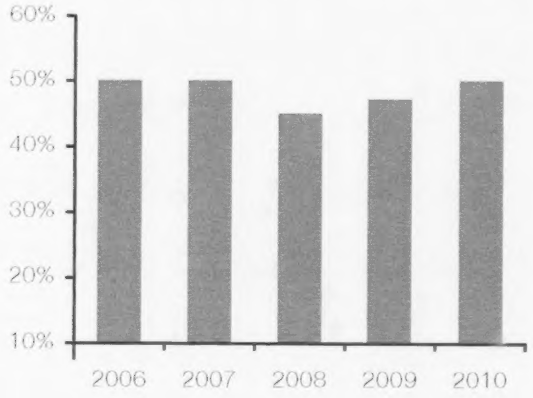
Province of Saskatchewan Credit Ratings	
Moody's Investor Service (Moody's)	Aa1
Standard & Poor's (S&P)	AA+
Dominion Bond Rating Service (DBRS)	AA

There are three credit rating agencies in Canada that evaluate and rate the Province's sovereign debt. These ratings affect the interest rate at which the Province, including the Crown sector, can borrow funds. As the credit ratings improve, the interest rates at which the Province can borrow decreases; thereby reducing the costs of borrowing. During 2010, Moody's, DBRS, and S&P confirmed the Province's credit rating.

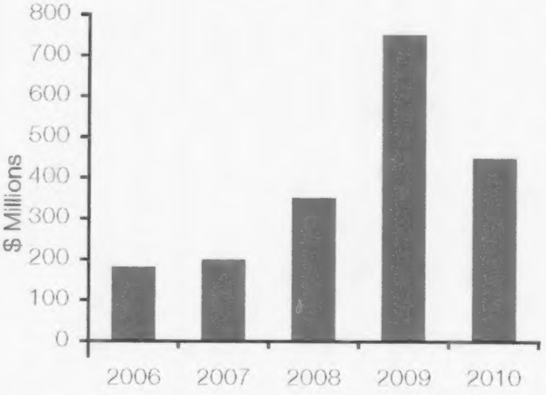
FINANCIAL HEALTH AND DIVIDENDS TO THE PROVINCE

In 2010, CIC provided a dividend of $471.0 million.

Consolidated Debt Ratio



Dividends Declared to the GRF



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CIC CONSOLIDATED

CIC
Crown Investments Corporation of Saskatchewan

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ANALYSIS OF FINANCIAL RESULTS

The following analysis of CIC's consolidated 2010 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. CIC's consolidated financial statements are prepared in accordance with Canadian GAAP and, as such, consolidate the results of all of CIC's subsidiary corporations.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

Net earnings for the year were $394.8 million (2009 - $348.7 million) or an increase of $46.1 million from 2009.

CONSOLIDATED EARNINGS COMPARISON

(millions of dollars)	**2010**	2009	2008	2007	2006
SaskPower	**$ 159.5**	$ 102.7	$ 63.5	$ 138.3	$ 92.7
SaskTel	**155.2**	129.0	123.6	84.1	72.5
SaskEnergy	**37.0**	93.3	29.2	88.1	53.2
SGI	**48.4**	52.4	40.4	35.1	52.1
CIC AMI	**(11.0)**	(32.8)	691.0	11.5	72.9
ISC	**15.6**	15.1	22.4	23.0	8.7
SGC	**21.5**	25.4	19.1	-	-
SaskWater	**0.2**	0.5	(1.0)	(0.6)	0.3
STC	**0.1**	(0.8)	(0.8)	(0.3)	(0.4)
SOCO	**6.2**	4.1	5.1	3.7	4.9
CIC (non-consolidated)	**308.7**	176.7	749.3	576.9	322.3
NewGrade Energy Inc.	**-**		-	74.6	102.9
Consolidation adjustments[1] & other	**(346.6)**	(216.9)	(763.6)	(338.1)	(341.0)
Consolidated earnings	**$ 394.8**	$ 348.7	$ 978.2	$ 696.3	$ 441.1
Total assets	**$10,414.8**	$10,256.3	$10,586.4	$ 9,630.9	$ 9,661.1

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[1] Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown Corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

CONSOLIDATED EARNINGS COMPARISON (continued)

Consolidated CIC Crown sector results increased to $394.8 million in 2010 from $348.7 million in 2009. The $46.1 million increase in earnings was mainly due to:

- SaskPower earnings of $159.5 million increased by $56.8 million primarily due to higher electricity sales volumes and the combined impact of the June 1, 2009 and August 1, 2010 system-wide rate increases;
- SaskTel net earnings increased $26.2 million to $155.2 million due mainly to exclusion of the results of certain out of province investments which were divested in 2009, as well as continued strong customer growth in cellular, *MAX*™ Entertainment and internet services;
- SaskEnergy net earnings decreased $56.3 million to $37.0 million primarily due to unfavourable fair value adjustments on natural gas in storage, and derivative financial instruments used for gas management activities;
- SGI net earnings decreased $4.0 million to $48.4 million as a result of significant storm activity in Saskatchewan in 2010;
- CIC Asset Management Inc. recorded a net loss of $11.0 million in 2010 which was a $21.8 million improvement compared with the net loss of $32.8 million reported in 2009. The 2009 loss included a one-time $17.9 million impairment loss on Big Sky Farms Inc. (Big Sky) long-lived assets, and a $7.6 million write-down on its investment in Performance Plants Inc.;
- SGC earnings decreased $3.9 million to $21.5 million due to a labour disruption in the summer of 2010 that resulted in reduced operating hours, reduced services and a decline in guest counts;
- SOCO earnings increased $2.1 million to $6.2 million mainly attributed to improved results from core rental operations; and
- CIC (non-consolidated) earnings increased $132.0 million to $308.7 million primarily a result of a recovery of amounts previously written down, increased dividend revenue, an increase in grant funding from the GRF and a decrease in operating and other expenses, partially offset by lower income from short-term investments and an increase in grant funding to certain subsidiaries.

SIGNIFICANT EVENTS IMPACTING 2010 CONSOLIDATED RESULTS

During 2010, the following significant events impacted CIC's consolidated results:

1. Discontinued Operations

Hospitality Network Canada, Inc. (Hospitality Network) and Saskatoon 2 Properties Limited Partnership (Saskatoon Square) (Note 8 to the consolidated financial statements).

During 2010, the Corporation approved plans whereby the operations of its wholly owned subsidiary, Hospitality Network, and its 70.0 per cent interest in Saskatoon Square will be divested. As a result, the Corporation has classified the operating results of these entities as discontinued operations in 2010.

2. Saskatchewan Immigrant Investor Program (SIIF) (Notes 5 and 13 to the consolidated financial statements)

SIIF was established on October 6, 2010 under *The Business Corporations Act (Saskatchewan)* to participate in the Government of Canada's Immigrant Investor Program (IIP). SIIF intends to use IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program to assist builders and developers in building affordable housing.

ACCOUNTING POLICY DEVELOPMENTS IMPACTING FUTURE CONSOLIDATED RESULTS

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook, which requires Government Business Enterprises (GBE's) to adopt IFRS and Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. CIC is publicly accountable and has therefore selected IFRS as its accounting platform.

CIC and its subsidiaries are finalizing their IFRS financial statement disclosures. Selection of accounting policies has been finalized, including IFRS 1 Transitional adjustments. All accounting policies have been approved by the CIC Board. CIC is in the final stages of determining the impact of IFRS on processes, systems, internal controls over financial reporting and disclosures, and future financial position and results of operations. IFRS financial statement presentation formats are being finalized and reviewed by the external auditor. As part of the IFRS implementation, CIC has made changes to certain processes and systems to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes. CIC's first IFRS financial report will be for the period ending March 31, 2011 and will be released prior to June 15, 2011.

Transition to IFRS

First-time Adoption of IFRS (IFRS 1), requires entities to prepare and present an opening balance sheet at the date of transition to IFRS. All adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings as of the date of transition, January 1, 2010 (Transition Date).

In general, IFRS requires an entity to comply with all of the accounting standards effective at the end of the first reporting period after adopting IFRS. This means restating accounting transactions as if the standards had been in place when the transactions occurred. The IFRS 1 exemptions give limited relief from retrospectively applying the standards where the cost of complying with this requirement would be likely to exceed the benefits to users of financial statements.

ACCOUNTING POLICY DEVELOPMENTS IMPACTING FUTURE CONSOLIDATED RESULTS (continued)

Transition to IFRS (continued)

To prepare the first interim consolidated financial statements for the period ending, March 31, 2011, in accordance with IFRS 1, CIC has chosen to apply the following mandatory exceptions and optional exemptions from full retrospective application of IFRS:

IFRS mandatory exceptions	
Significant estimates	An entity's estimates under IFRS at the Transition Date shall be consistent with estimates made at the same date under previous GAAP (after adjustments to reflect difference in accounting policies) unless there is objective evidence that those estimates were in error. All estimates should reflect conditions in effect at transition. CIC has not made any adjustments due to an error in previous GAAP.

IFRS optional exemptions	
Deemed cost	IFRS 1 provides the option to measure an item of property, plant and equipment at the Transition Date at its fair value and use that fair value as its deemed cost at that date. The fair value then becomes the deemed cost, which is subject to subsequent amortization. CIC has elected to measure certain land and building assets at fair value at the Transition Date.
Leases	IFRS 1 provides the option to apply the transitional provisions in International Financial Reporting Interpretations Committee (IFRIC) 4, *Determining Whether an Arrangement Contains a Lease*. CIC has elected to determine whether arrangements existing at the Transition Date contain a lease on the basis of facts and circumstances existing at the Transition Date. CIC is not required to reassess arrangements which were previously evaluated under GAAP.
Employee benefits	IFRS 1 provides the option to retrospectively apply the corridor approach under International Accounting Standards (IAS) 19, *Employee Benefits*, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under GAAP in opening retained earnings at the Transition Date. CIC has elected to recognize all cumulative actuarial gains and losses that exist at its Transition Date in opening retained earnings for all of its defined benefit pension plans. In addition, as permitted by IFRS 1, CIC has elected to disclose the amounts required by IAS 19, paragraph 120A(p), as the amounts are determined for each accounting period prospectively from the Transition Date.
Decommissioning liabilities included in the cost of property, plant and equipment	IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, requires specified changes in a decommissioning, restoration, or similar liability to be added or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. IFRS 1 provides the option to not comply with these requirements for changes in such liabilities that occurred before the Transition Date. CIC has elected to not comply with the requirements for changes in such liabilities that occurred before the Transition Date.
Transfer of assets from customers	A first-time adopter may apply the transitional provisions set out in IFRIC 18, *Transfer of Assets from Customers*. In addition, a first-time adopter may designate any date before the Transition Date to IFRS and apply IFRIC 18 to all transfers of assets from customers received at or after July 1, 2009. CIC has elected to apply IFRIC 18 retrospectively. On the Transition Date, all unamortized customer contribution balances will be recognized in opening retained earnings.

ACCOUNTING POLICY DEVELOPMENTS IMPACTING FUTURE CONSOLIDATED RESULTS (continued)

Transition to IFRS (continued)

CIC expects the financial statement impact for the adoption of IFRS to be substantial. The financial statement areas most affected by the adoption of IFRS are as follows:

- Recognition of customer contributions - Customer contributions are funds received from certain customers toward the costs of service extensions. Under GAAP, contributions in aid of construction are netted against property, plant and equipment and amortized over the estimated useful life of the related asset. The amortization of these contributions is netted against depreciation expense. Under IFRS, these contributions will be recognized in net earnings as other revenue when spent. Upon transition to IFRS, CIC elected to recognize all spent and unamortized customer contribution balances in opening retained earnings.
- Recognition of actuarial gains and losses on employee benefit plans - Under GAAP, CIC recognizes actuarial gains and losses in net earnings over the average remaining service life of the employees in the plans (the corridor approach). Under IFRS, CIC's accounting policy will be to recognize all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income in the period in which they arise. At the date of transition, CIC elected to recognize all previously unrecognized cumulative actuarial gains and losses for all defined benefit plans in retained earnings. The pension expense recognized in operating expense will be recalculated based on the actuarial valuations obtained at year-end.
- Recognition of finance lease obligations - Under IFRS, certain take-or-pay power purchase agreements which give CIC the exclusive right to use specific production assets have been determined to meet the definition of a lease. Lease treatment was not required under GAAP as the contracts were entered into prior to the effective date of the GAAP standard. Upon transition to IFRS, CIC elected to recognize finance leases for these arrangements on the basis of facts and circumstances existing at the Transition Date.
- Restatement of property, plant and equipment - Under GAAP, CIC's accounting policy is to capitalize costs including material, direct labour and overhead. Under IFRS, property, plant and equipment will be recorded at historical cost and include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets will include materials and direct labour. On transition to IFRS, CIC de-recognized certain capitalized costs, including general and administrative overhead, which are not eligible to be capitalized under IFRS.
- Restatement of capitalized interest - Under GAAP, CIC capitalized borrowing costs on certain but not all of its qualifying assets. Under IFRS, interest on all qualifying assets is required to be capitalized resulting in a retroactive restatement of prior period balances.
- Restatement of land and building assets to fair value at transition - Under GAAP, land and buildings assets are measured at historical cost. Upon transition to IFRS, CIC elected to measure certain land and buildings at fair value, which will become the deemed cost at the Transition Date. These properties will continue to be measured on a cost basis.
- Restatements of provisions - Under GAAP, asset retirement obligations are recognized in respect of CIC's legal obligation to decommission certain of its facilities. Under IFRS, a decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. CIC will recognize decommissioning provisions in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. On transition to IFRS, decommissioning obligations are re-measured based on management's best estimate of future cash flows at the reporting date. Accordingly, on transition, CIC elected to estimate the amount included in the cost of the related asset when the liability first arose by discounting the liability back to the commissioning date, and calculated the accumulated depreciation on that amount based on current depreciation rates.

ACCOUNTING POLICY DEVELOPMENTS IMPACTING FUTURE CONSOLIDATED RESULTS (continued)

Transition to IFRS (continued)

- Under GAAP, CIC recognizes environmental remediation provisions based on management's best estimate considering current environmental laws and regulations. Under IFRS, a provision for environmental remediation liabilities is accrued when the occurrence of an environmental expenditure, related to present or past activities of CIC, is considered probable and the costs of remedial activities can be reasonably estimated. Upon transition to IFRS, environmental remediation provisions were re-measured at discounted amounts.
- Recognition of onerous contract - Under IFRS, a provision for onerous contracts is recognized when the expected benefits to be derived by CIC from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Under GAAP, no obligations are recognized for onerous contracts. On transition to IFRS, CIC will recognize a provision for an onerous contract for which the expected benefits to be derived from the contract is lower than the unavoidable cost of meeting the obligations under the contract. A separate asset will also be recorded for subsequent reimbursements expected to be received.
- Recognition of compensated absences - Under IFRS, CIC will recognize an obligation for accumulating compensated absences (banked sick days). Under GAAP, no obligations are recognized for compensated absences. On transition to IFRS, CIC will recognize an obligation for compensated absences based on the additional amount that CIC expects to pay as a result of the unused entitlement for sick leave that has accumulated at the end of the reporting period.
- Restatement of associates and joint venture interests - Under GAAP, CIC accounts for its joint venture interests using the proportionate consolidation method. Under IFRS, CIC will account for its jointly controlled interests, other than jointly controlled assets, using the equity method. Upon transition to IFRS, CIC eliminated its proportionate consolidation entries with regards to these joint ventures.
- Recognition of gains or losses from accumulated other comprehensive income - Under GAAP, unrealized gains and losses on available for sale investments were included in accumulated other comprehensive income. Under IFRS, unrealized gains and losses on available for sale investments are immediately recorded in net earnings, resulting in a reclassification of cumulative unrealized gains and losses at the date of transition from accumulated other comprehensive income to retained earnings.
- Directory advertising and prepaid publishing expenses - Under GAAP, directory advertising revenue was recognized on a monthly basis over the life of the print directory in accordance with the contractual terms with advertisers. Under IFRS, print revenues are recognized immediately when each directory is distributed to the public. Under GAAP, expenses directly related to directory publications were deferred and amortized over the life of the related directory. Under IFRS, these expenses are recognized immediately when the related directory is distributed to the public.
- Recalculations of unpaid insurance claims - Under GAAP, liabilities for unpaid insurance claims were recorded at undiscounted values. IFRS requires these claims to be recorded at discounted values.

ANALYSIS OF 2010 CONSOLIDATED REVENUE AND EXPENSES

Revenue

Revenues from ongoing operations were $4,543.9 million (2009 - $4,654.4 million), a decrease of $110.5 million. The decrease was due to $213.5 million in lower sales of products and services which was only partially offset by a $16.3 million increase in investment revenue and an $86.7 million improvement in other revenue.

Sales of products and services were $4,342.5 million (2009 - $4,556.0 million). The $213.5 million decrease was mainly due to lower utility, entertainment, investment and economic growth activity sales, which were only partially offset by higher insurance related sales.

Utility sales of products and services were $3,823.8 million (2009 - $3,971.0 million), a decrease of $147.2 million due mainly to the following:

- SaskEnergy sales revenue decreased by $242.9 million due to the combined impacts of a lower commodity rate for natural gas sales to distribution utility customers and lower natural gas sales volumes due mainly to warmer Saskatchewan weather in 2010 versus 2009. The average commodity rate was $4.94 per Gigajoule (GJ) in 2010 versus $6.77 per GJ in 2009. Also the weather in Saskatchewan was normal in 2010 (determined using a 30 year average) compared to 12.0 per cent colder than normal in 2009. These unfavourable revenue impacts were partially offset by a $23.3 million incremental increase in unrealized fair value gains on natural gas management activities;
- SaskTel sales decreased by $7.2 million with continued strong customer growth in cellular, *MAX*™ Entertainment and internet services, which were more than offset by discontinuing consolidation of revenue from certain out of province investments that were divested in 2009;
- ISC sales revenue increased $3.3 million with a lower volume of land transactions more than offset by higher prices and the inclusion of Corporate Registry revenue beginning in October, 2010 subsequent to the transfer of the registry to ISC from the Ministry of Justice;
- SaskPower sales increased by $96.1 million due to the combination of a 4.5 per cent system-wide average rate increase that became effective August 1, 2010 and an 8.5 per cent system-wide rate increase that became effective June 1, 2009. In addition, electricity sales volumes were up 853 gigawatt hours (GWh) compared to 2009; and
- SaskWater sales revenue increased $3.5 million primarily from its non potable water and services lines of business.

Insurance related sales of products and services increased by $36.9 million as a result of premium growth in all jurisdictions, with Saskatchewan and Alberta accounting for the majority of the increase.

Entertainment related sales of products and services decreased by $7.8 million due to a casino labour disruption in the summer of 2010 that resulted in reduced operating hours, reduced services and a decline in guest counts.

Sales from investment and economic growth activities decreased by $94.9 million, due to a $99.2 million decrease at CIC AMI as the Corporation discontinued consolidating Big Sky operating results on November 10, 2009. The decrease at CIC AMI was partially offset by a $4.3 million increase in sales at SOCO due to increased rental rates, occupancy, and related service revenue at the Research Parks and increased revenue from utilization of the Bio Processing Centre.

Investment revenues were $78.5 million (2009 - $62.2 million). The $16.3 million increase is mainly related to:

- A $7.1 million increase in investment earnings at CIC APEX Equity Holdco Ltd. related to higher realized and unrealized gains on its investment portfolio;

ANALYSIS OF 2010 CONSOLIDATED REVENUE AND EXPENSES (continued)

Revenue (continued)

- A $10.9 million increase at SaskPower due mainly to improved sinking fund earnings;
- A $17.8 million increase at SGI resulting from realized gains from portfolio turnover, and a shift in asset mix weightings to an asset-liability matching strategy during 2010;
- A $15.5 million decrease at CIC AMI due to lower gains on sale of investments, higher provisions for loan losses, and increased investment write-downs, partially offset by lower equity investment losses compared to 2009; and
- A $7.8 million decrease at CIC (non-consolidated) due to lower funds available to invest after dividend payments and equity advance repayments to the GRF in 2009 and 2010.

Other revenues were $122.8 million (2009 - $36.1 million). The $86.7 million increase is primarily related to the recognition of an incremental $82.1 million in deferred funding received from the GRF for qualifying expenditures on carbon capture and storage initiatives. An equivalent offsetting amount has been included in operating costs.

Expenses

Total expenses were $4,149.2 million (2009 - $4,297.4 million) or a decrease of $148.2 million from 2009. Operating costs, interest, depreciation and amortization, and Saskatchewan taxes and fees were all lower than 2009.

Operating costs decreased by $135.5 million to $3,283.1 million (2009 - $3,418.6 million) with lower utility, investment and economic growth activity operating costs only partially offset by higher insurance sector costs.

Utility operating costs decreased by $64.5 million to $2,832.7 million (2009 - $2,897.2 million) primarily due to:

- A $173.1 million decrease at SaskEnergy mainly related to a lower average cost of natural gas which fell to an average of $4.94 per GJ in 2010 from $6.51 per GJ in 2009. Expenses related to natural gas volumes were favourably impacted by normal weather conditions during 2010 compared to 12.0 per cent colder than normal weather in 2009. These favourable expense impacts were partially offset by a year over year $51.5 million increase in unrealized fair market value losses on natural gas management activities, and an incremental $20.6 million write-down of natural gas in storage to its net realizable value; and
- A $103.5 million increase at SaskPower mainly related to an incremental increase of $82.1 million in expenditures for the Boundary Dam carbon capture and storage initiative (an equivalent amount has been included in other revenue), additional pension expenses, higher external service costs, and rising costs for salaries, wages and benefits.

Operating expenses related to insurance activities increased $56.2 million to $376.6 million (2009 - $320.4 million) given higher claims in Saskatchewan caused by several severe storms and floods in 2010.

Operating costs related to investment and economic growth activities decreased $115.8 million to $26.8 million (2009 - $142.6 million) including a $116.1 million decrease at CIC AMI as the Corporation discontinued consolidating Big Sky operating results on November 10, 2009.

Interest expense decreased $6.3 million to $231.7 million (2009 - $238.0 million), due to lower interest rates on the Corporation's long-term debt balances.

ANALYSIS OF 2010 CONSOLIDATED REVENUE AND EXPENSES (continued)

Expenses (continued)

Depreciation and amortization decreased $5.5 million to $497.7 million (2009 - $503.2 million). SaskPower's depreciation and amortization increased $21.1 million due mainly to $522.1 million in new capital expenditures. However, this increase was more than offset by no longer consolidating the operating results of Big Sky effective November 10, 2009 and certain SaskTel out of province investments which were divested in 2009.

Other Non-Operating Revenue and Expenses

The Corporation recorded a $4.0 million provision for environmental remediation liabilities in 2010 resulting from revised estimated costs for remediation of certain facilities (see Note 14(a) to the consolidated financial statements), and a $4.1 million gain from discontinued operations related to Hospitality Network Canada, Inc. and Saskatoon 2 Properties Limited Partnership (see Note 8 to the consolidated financial statements).

The following table illustrates the disclosure of these items in CIC's 2010 consolidated financial statements:

(millions of dollars)		2010		2009
Non-operating items				
Earnings before the following:	$	394.7	$	357.0
Non-recurring items		-		(23.9)
(Provision for) recovery of environmental remediation liabilities		(4.0)		0.5
Gain from discontinued operations		4.1		15.1
Consolidated net earnings	$	394.8	$	348.7

ANALYSIS OF 2010 CONSOLIDATED CAPITAL RESOURCES

Consolidated Debt

CIC closely monitors the debt levels of its subsidiaries, utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target, which is determined according to industry standards, indicates a debt burden that may impair a corporation's ability to withstand downturns in revenues and still meet fixed payment obligations.

The ratio is calculated as net debt divided by capitalization at the end of the year.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure comparability with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board of Directors. The Corporation uses targeted debt ratios to compile a weighted average debt ratio for the Crown sector. The target ratio for 2010 was 55.9 per cent.

For further information on CIC's approach to capital management, please refer to Note 15 to the audited consolidated financial statements.

The following table shows CIC's consolidated debt level and debt ratio:

(millions of dollars)	**2010**	2009	2008	2007	2006
Consolidated debt	**$ 4,523.0**	$ 4,205.9	$ 4,033.6	$ 3,858.0	$ 3,783.6
Consolidated debt ratio	**50.4%**	47.5%	44.4%	45.9%	49.9%

Debt on a consolidated basis was $4,523.0 million (2009 - $4,205.9 million) or an increase of $317.1 million from 2009. The increase is mainly attributed to higher debt at SaskTel ($159.9 million), SaskPower ($98.4 million), and SaskEnergy ($50.3 million). The large increase in debt was mainly required to fund a portion of the $962.0 million in 2010 capital expenditures as well as to fund natural gas in storage at SaskEnergy.

Capital Spending

Property, plant and equipment and intangible asset purchases were $962.0 million or $7.4 million higher than 2009. Major capital expenditures included:

- $299.5 million at SaskTel mainly related to the Saskatchewan Infrastructure Improvement Program (SIIP), including migration of the wireless network to 3rd generation (3G) standards, enhancements to *MAX*™ Entertainment services and increased spending on buildings and equipment;
- $522.1 million at SaskPower mainly related to new generation, customer connects and the life extension of existing infrastructure; and
- $109.1 million at SaskEnergy to maintain the integrity of SaskEnergy's distribution and pipeline infrastructure and ensure safe and reliable service. SaskEnergy connected nearly 5,500 new customers to its distribution system and constructed 385 kilometers of pipeline throughout the Province in 2010.

Investment purchases were $540.3 million (2009 - $478.6 million) or a $61.7 million increase from 2009. The majority of the increase was at SGI where investment purchases increased $66.8 million to $531.7 million (2009 - $464.9 million) due to investment turnover. SGI reported a year over year increase in proceeds from the sale of investments of $123.2 million which was partially used to fund higher operating requirements related to the increased number of insurance claims during the turbulent 2010 Saskatchewan storm season with the remainder reinvested.

ANALYSIS OF 2010 CONSOLIDATED CAPITAL RESOURCES (continued)

Operating, Investing and Financing Activities

(millions of dollars)		2010		2009
Cash Flow Highlights				
Cash from operations	$	924.6	$	833.1
Cash used in investing activities		(486.8)		(604.6)
Cash used in financing activities				
Dividends paid		(471.0)		(905.0)
Repayment of equity advances		(120.0)		-
Debt proceeds received		448.2		94.1
Debt repaid		(180.5)		(59.1)
Other financing activities		(50.7)		134.6
Change in cash	$	63.8	$	(506.9)

Cash from operations increased by $91.5 million to $924.6 million (2009 - $833.1 million). Higher net earnings of $46.1 million and a $50.1 million increase in adjustments to reconcile net earnings to cash provided by operating activities (see details in Note 22 to the audited consolidated financial statements) resulted in an overall cash impact from earnings which was $96.2 million higher than in 2009. Also impacting cash from operations was a $6.7 million improvement in net cash inflows from discontinued operations and a decrease of $11.4 million in net change in non-cash working capital balances.

Cash used in investing activities decreased $117.8 million to $486.8 million (2009 - $604.6 million) with higher investment purchases and reduced cash inflows from other assets only partially offset by increases in proceeds from the sale and collection of investments and the drawdown of restricted cash and cash equivalents.

Investment purchases were $540.3 million (2009 - $478.6 million) or a $61.7 million increase from 2009. The majority of the increase was at SGI where investment purchases increased $66.8 million to $531.7 million (2009 - $464.9 million) due to investment turnover. SGI reported a year over year increase in proceeds from the sale of investments of $123.2 million, which was partially used to fund higher operating requirements related to the increased number of insurance claims during the turbulent 2010 Saskatchewan storm season with the remainder reinvested.

Cash inflows from other assets decreased $25.9 million to $7.8 million (2009 - $33.7 million) mainly due to no longer consolidating the operations of Big Sky effective November 10, 2009.

Proceeds from the sale and collection of investments increased $173.1 million to $900.2 million (2009 - $727.1 million) primarily related to:

- Turnover of SGI's investment portfolio resulted in a year over year increase in proceeds of $123.2 million which was partially used to fund higher operating requirements related to the increased number of insurance claims during the turbulent 2010 Saskatchewan storm season with the remainder used to purchase new investments;
- CIC AMI proceeds increased $41.7 million due mainly to 2010 proceeds on disposition of Crescent Point Energy Corporation ($22.4 million), Premium Brands Holdings Corporation ($15.0 million), Stegg Ltd. ($4.0 million), and Just Energy Exchange Corporation ($3.2 million);
- CIC (non-consolidated) proceeds increased $79.0 million due to the sale of short-term investments and reinvesting those funds in cash equivalents with maturities less than 90 days; and
- SaskEnergy had no proceeds in 2010 but realized $73.3 million in proceeds from the sale of Heritage Gas Limited in 2009.

ANALYSIS OF 2010 CONSOLIDATED CAPITAL RESOURCES (continued)

Operating, Investing and Financing Activities (continued)

Cash inflows from the drawdown of restricted cash and cash equivalents increased $40.4 million to $107.1 million (2009 - $66.7 million) due to increased expenditures on SaskPower's Boundary Dam carbon capture and storage initiative.

Cash used in financing activities was $374.0 million (2009 - $735.4 million). The $361.4 million decrease in cash outflows resulted from:

- $434.0 million decrease in dividends paid to the GRF;
- $22.3 million decrease in net sinking fund instalments;
- $354.1 million increase in debt proceeds;
- $120.0 million repayment of GRF equity advances;
- $121.4 million increase in debt repayments;
- $152.2 million decrease in notes payable; and
- $55.4 million incremental decrease in other liabilities.

Comparison of 2010 Results with Budget

(millions of dollars)	2010 Earnings		2010 CIC Dividends	
	Budget	Actual	Budget	Actual
SaskPower	$ 134.2	$ 159.5	$ -	$ -
SaskTel	115.2	155.2	115.2	139.7
SaskEnergy	58.1	37.0	58.1	48.8
SGI	42.7	48.4	42.7	43.5
CIC AMI	5.2	(11.0)	-	-
ISC[1]	16.4	15.6	16.4	14.0
SGC	25.2	21.5	25.2	19.4
SaskWater	0.2	0.2	-	-
STC	(0.7)	0.1	-	-
SOCO	2.9	6.2	9.0	9.0
CIC, other, adjustments	(38.3)	(37.9)	-	1.7
Totals	$ 361.1	$ 394.8	$ 266.6	$ 276.1

[1] Subsequent to release of CIC's 2009 Annual Report, ISC revised its budgeted net earnings from $10.9 million to $16.4 million as a result of Cabinet's decision to transfer the Corporations Branch to ISC from the Ministry of Justice and increased revenue projections.

The preceding table shows results for the commercial Crown corporations in 2010 in comparison to business plan targets. Consolidated earnings for 2010 of $394.8 million were $33.7 million higher than budgeted earnings of $361.1 million. Dividends to CIC in 2010 of $276.1 million were $9.5 million above budgeted dividends of $266.6 million. Dividend revenue is directly proportionate to Crown earnings. Accordingly, the dividend variances reported for all subsidiaries mainly related to favourable or unfavourable actual versus budgeted earnings impacts. Earnings variances are explained as follows:

- SaskPower earnings were $25.3 million above budget primarily due to lower fuel and purchased power costs partially offset by lower Saskatchewan sales and a decline in unrealized gains and losses on natural gas management activities;

ANALYSIS OF 2010 CONSOLIDATED CAPITAL RESOURCES (continued)

Comparison of 2010 Results with Budget (continued)

- SaskTel earnings were $40.0 million higher than budget. Favourable wireless, long distance, data, internet, DirectWest and SaskTel International revenues were partially offset by lower than expected customer growth in *MAX*™ Entertainment services and lower than expected sales of customer premise equipment. Lower than budgeted direct expenses, salaries and benefits were only partially offset by increased service and material expenses. Depreciation expense was below budget due to lower than expected capital expenditures. Interest expenses were below budget due to delayed borrowing, lower than budgeted interest rates and higher than expected sinking fund earnings;
- SaskEnergy earnings were $21.1 million below budget due mainly to unbudgeted unfavourable fair value adjustments on gas management activities. Excluding fair value adjustments, net earnings from operations was $3.6 million below budget given lower transmission volumes and the temporary shutdown of the Kisbey Gas Plant to accommodate plant expansion, partially offset by improved earnings from gas marketing activities and a realized reduction in operating expenses resulting from SaskEnergy's continued focus on productivity gains and cost containment;
- SGI earnings were $5.7 million above budget primarily due to higher than planned investment returns which offset significant storm claim costs experienced in 2010;
- CIC AMI reported a net loss of $11.0 million versus budgeted earnings $5.2 million resulting in a $16.2 million unfavourable variance primarily due to higher write-downs on CIC AMI's investment portfolio which were only partially offset by realized gains on sales of investments;
- SGC earnings were $3.7 million below budget. Slot machine and table gaming revenues decreased from budget mainly due to a labour disruption in the summer of 2010. Promotional spending was over budget due to aggressive couponing during the latter part of the year to help recover from the labour disruption. Operating expenses were below budget due to lower salaries and benefits primarily due to the labour disruption, and cost control initiatives required as a result of the revenue shortfall; and
- SOCO's earnings were $3.3 million above budget mainly due to reduced depreciation and amortization expense related to a lower than expected asset base.

A CLOSER VIEW OF CIC'S HOLDINGS

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly owned subsidiaries, while others are joint ventures and partnerships held through CIC's wholly owned subsidiaries.

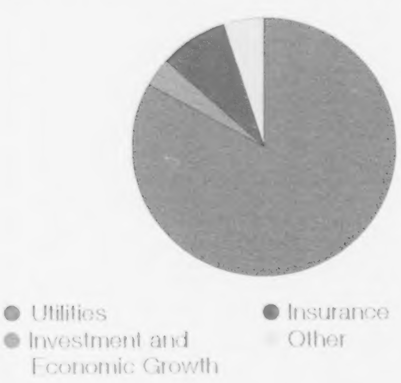
INVESTMENT	MAJOR BUSINESS LINE
Saskatchewan Power Corporation (SaskPower)	Utilities: Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
SaskEnergy Incorporated (SaskEnergy)	Natural Gas
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater
Information Services Corporation of Saskatchewan (ISC)	Land & Property Registration Services
Saskatchewan Government Insurance (SGI)	Insurance: Property and Casualty
Saskatchewan Gaming Corporation (SGC)	Entertainment: Gaming
CIC Asset Management Inc. (CIC AMI)	Investment and Economic Growth: Investments
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure
Saskatchewan Development Fund Corporation (SDFC)[1]	Annuity Fund
Saskatchewan Transportation Company (STC)	Transportation: Passenger and Freight Transportation

[1] SDFC ceased operations on December 31, 2010 and the net assets were transferred to CIC as a dividend

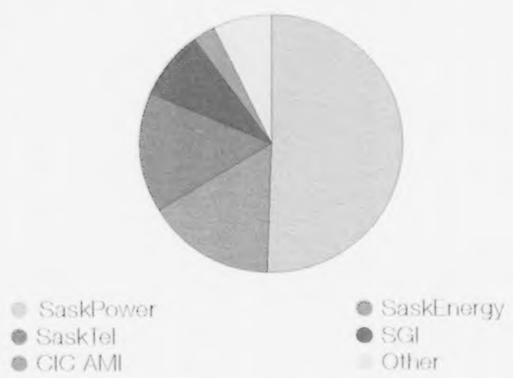
Profiles of material subsidiary Crown corporations are included in this section. SDFC is inactive and immaterial to the consolidated operations of CIC and therefore its profile has not been included in this section. Each subsidiary Crown corporation prepares an annual report, which is tabled in the Legislative Assembly. For additional information, please refer to each individual Crown corporation's annual report. These annual reports can be found through CIC's website at www.cicorp.sk.ca.

The data on the following page illustrates the importance of the utility business segment to the financial results of the Corporation. Of these corporations, SaskPower, SaskTel and SaskEnergy are the most significant in terms of assets, liabilities, and operating earnings generated.

TOTAL ASSETS BY BUSINESS SEGMENT



TOTAL ASSETS BY CORPORATION



($ millions)	Utilities		Entertainment		Insurance		Transportation		Investment & Economic Growth		Other & Adjustments¹		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Income Statement for the year ended December 31														
Sales and other revenue	3,984	4,029	124	132	446	390	27	26	40	144	(77)	(67)	4,544	4,654
Operating expenses & other	(3,410)	(3,472)	(101)	(106)	(394)	(337)	(27)	(27)	(33)	(156)	48	39	(3,917)	(4,059)
Debt costs	(226)	(230)	(2)	(1)	-		-		(2)	(7)	-	-	(232)	(238)
Earnings before the following	346	327	21	25	52	53	-	(1)	5	(19)	(29)	(28)	395	357
Non-recurring items	18	(6)	-		(3)	(1)	-	-	-	(9)	(15)	(8)	-	(24)
Environmental remediation	-	4			-		-	-	(4)	(3)	-	-	(4)	1
Discontinued operations	4	15	-		-		-		-		-		4	15
Net earnings	368	340	21	25	49	52	-	(1)	1	(31)	(44)	(36)	395	349
Balance Sheet as at December 31														
Current assets	1,003	977	11	15	326	273	3	4	187	222	408	608	1,938	2,099
Investments & other	714	640	-	-	540	556	-		132	206	-	143	1,386	1,545
PPE & intangibles	6,949	6,468	60	64	11	9	39	40	56	55	(24)	(24)	7,091	6,612
	8,666	8,085	71	79	877	838	42	44	375	483	384	727	10,415	10,256
Current liabilities	1,277	1,307	20	27	441	429	3	3	28	42	1	(63)	1,770	1,745
Long-term debt	3,967	3,555	20	23	-		-		43	24	-		4,030	3,602
Other	281	255	-		198	182	30	32	120	117	(70)	72	559	658
	5,525	5,117	40	50	639	611	33	35	191	183	(69)	9	6,359	6,005
Province's equity	3,141	2,968	31	29	238	227	9	9	184	300	453	718	4,056	4,251
	8,666	8,085	71	79	877	838	42	44	375	483	384	727	10,415	10,256
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	857	767	29	32	53	68	1	(1)	17	3	(35)	(32)	922	837
Discontinued operations	3	(4)	-	-	-		-	-	-	-	-	-	3	(4)
	860	763	29	32	53	68	1	(1)	17	3	(35)	(32)	925	833
Investing activities														
Capital & intangible assets	(947)	(885)	(6)	(13)	(3)		(2)	(2)	(4)	(9)	-	(46)	(962)	(955)
Other	10	75	-		12	(44)	-		42	71	411	248	475	350
	(937)	(810)	(6)	(13)	9	(44)	(2)	(2)	38	62	411	202	(487)	(605)
Financing activities														
Debt proceeds	429	88	-	6	-		-		19		-	-	448	94
Debt repayments	(175)	(51)	(5)	(5)	-		-		-	(3)	-		(180)	(59)
Dividends paid to CIC	(220)	(155)	(22)	(20)	(50)	(19)	-		(10)	(37)	302	231	-	-
Dividends paid to GRF	-				-		-		-		(471)	(905)	(471)	(905)
Equity (repaid) received	8	-	-	(10)	-		-		(100)		(28)	10	(120)	-
Other	71	162	-		-		1	2	(15)	2	(108)	(31)	(51)	135
	113	44	(27)	(29)	(50)	(19)	1	2	(106)	(38)	(305)	(695)	(374)	(755)
Change in cash	36	(3)	(4)	(10)	12	5	-	(1)	(51)	27	71	(525)	64	(507)

¹ Other and adjustments includes the operations of CIC (non-consolidated) and consolidated elimination entries.

SUBSIDIARY CORPORATION PROFILES UTILITIES

SaskPower

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- SaskPower had a strong financial performance in 2010 that resulted in reported operating earnings of $179.0 million and a debt ratio that fell below 60.0 per cent. SaskPower also invested $565.4 million ($522.1 million net of customer contributions) into its infrastructure.
- Net earnings of $159.5 million (2009 - $102.7 million) increased primarily due to increased revenue.
- Revenue of $1,750.6 million (2009 - $1,545.9 million) increased due to both the 4.5 per cent system-wide average rate increase that became effective August 1, 2010 and the 8.5 per cent system-wide rate increase that became effective June 1, 2009. In addition, electricity sales volumes were also up 853 GWh over the prior year. Other revenue rose primarily due to an increase in integrated carbon capture and storage initiative (ICCS) grant funding.
- Expenses of $1,590.7 million (2009 - $1,443.2 million) increased due to rising operating costs primarily from increased carbon capture and storage initiative spending (which was offset by carbon capture and storage initiative grants), additional pension expense, higher external services costs; and rising costs for salaries, wages and benefits.
- Gross long-term and short-term debt of $2,941.5 million (2009 - $2,843.1 million) was up due to additional borrowings during the year to finance capital expenditures.
- SaskPower invested $565.4 million (2009 - $640.0 million) in various capital projects including new generation, customer connects and the life extension of existing infrastructure.
- Debt ratio of 59.7 per cent (2009 - 61.4 per cent) was down 1.7 per cent from 2009 due to the increase in equity as a result of the improved earnings during the year.
- Return on equity of 9.3 per cent (2009 - 6.5 per cent) increased due to the improvement in earnings.
- Dividends declared to CIC were $Nil (2009 - $Nil) as a result of SaskPower's significant capital requirements.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net earnings	$ 159.5M	$ 134.2M	$ 102.7M	$ 63.5M	$ 138.3M	$ 92.7M
Dividend declared to CIC	$ Nil	$ Nil	$ Nil	$ 46.0M	$ 97.0M	$ 60.2M
Total assets	$ 5,267.7M	$ 5,732.0M	$ 4,948.8M	$ 4,520.2M	$ 4,475.5M	$ 4,364.0M
ROE	9.3%	7.9%	6.5%	4.2%	9.3%	6.4%
Debt ratio	59.7%	63.9%	61.4%	60.7%	59.7%	61.0%

COMPARISON OF 2010 RESULTS WITH BUDGET

- Earnings were $25.3 million above the budget of $134.2 million primarily due to lower fuel and purchased power costs. This was offset by lower Saskatchewan sales and a decline in unrealized gains or losses on natural gas hedges.
- Revenues were $20.8 million lower than the budget of $1,771.4 million as a result of: lower than budgeted sales volumes in Saskatchewan; a 4.5 per cent approved average rate increase as opposed to a budgeted 7.0 per cent system-wide rate increase; and reduced export market opportunities. These declines were partially offset by increased ICCS funding.
- Expenses were $46.5 million lower than the $1,637.2 million budget primarily due to lower fuel and purchased power costs as a result of lower natural gas and import costs, increased hydro generation, and lower than budgeted demand.

SUBSIDIARY CORPORATION PROFILES

UTILITIES

SaskPower

2011 OUTLOOK

- Net earnings are expected to decrease in 2011 to about $118.6 million largely as a result of higher expenses. The largest increases will be in fuel and purchased power costs; operating, maintenance and administration (OM&A) expense; and depreciation. Fuel and purchased power costs are expected to increase due to higher generation volumes and an unfavourable change in the fuel mix. OM&A expense is expected to be higher due to increased spending on demand side management and business renewal projects, rising wages and benefits and increased maintenance activity. Finally, depreciation expense is expected to increase due to the level of capital investment in 2010 and 2011.
- These increases in expense are expected to be partially offset by higher Saskatchewan sales due to an increase in domestic demand as well as the system-wide average rate increase which took effect August 1, 2010.
- SaskPower plans to continue making significant investments in its generation, transmission and distribution infrastructure with anticipated capital expenditures of approximately $1,055.5 million in 2011.
- No rate increases are expected in 2011.

KEY FACTORS AFFECTING PERFORMANCE

- Weather conditions can impact both electricity demand and availability of low cost hydroelectric generation.
- Export opportunities play a key role in financial results and are dependent on a number of factors including: transmission system availability, prices in export markets, and demand for electricity both within Saskatchewan and within export markets.
- Natural gas costs represent the largest expenditure for SaskPower and are susceptible to significant volatility. Although SaskPower actively manages its natural gas costs to mitigate price volatility, a change in the market price of natural gas will have a significant impact on financial results. For 2011, based on forecasted natural gas usage, SaskPower estimates a $1 per GJ change in the natural gas market price changes the annual cost of natural gas by approximately $21.3 million.
- Equipment failure can lead to costly repairs and may necessitate utilizing higher cost generation sources or importing power from other jurisdictions at higher prices. SaskPower undertakes regular maintenance of its electricity infrastructure to mitigate this risk.
- SaskPower is subject to extensive federal, provincial and local government regulations, all of which are susceptible to change. New emission reduction regulations may impact SaskPower's earnings by imposing additional costs on the generation of electricity, such as emission caps, requiring additional capital investments in emission capture technologies, or requiring investment in offset credits.

KEY OPERATIONAL DATA

	2010	2009	2008	2007	2006
Permanent full time employees	**2,727**	2,653	2,541	2,488	2,458
Total customers	**473,007**	467,329	460,006	451,713	445,569
Residential & avg usage (kWh)	**8,464**	8,560	8,278	8,229	8,030
Power lines (kilometres)	**150,085**	149,497	149,118	148,809	148,591

SaskTel

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- SaskTel has, for the eleventh consecutive year, been named as one of the Top 100 Employers in Canada, and is again among the Top 20 Employers in Saskatchewan as well as one of Canada's Greenest Employers as named by MediaCorp Canada Inc. SaskTel's communication services continue to expand throughout the province with over 1.4 million customer connections.
- In August of 2010, SaskTel launched the new 3G+ network, the largest in Saskatchewan, with coverage to 93 per cent of the province by the end of 2010 and to 98 per cent of the province by the end of 2011.
- Net earnings for the year are $155.2 million, up $26.2 million from 2009, and cash provided by operating activities was $287.7 million.
- Total operating revenues decreased to $1,112.4 million in 2010, down $7.2 million (0.6 per cent) from 2009 primarily due to out of province revenue reductions resulting from the divestiture of selected out of province assets in 2009. Excluding these out of province revenues, revenues in 2010 increased by $33.7 million (3.1 per cent), primarily due to continued strong customer growth in cellular, *MAX*™ Entertainment and internet services.
- Total operating expenses were $953.4 million, down $19.4 million from 2009 due to reduced out of province expenses resulting from the divestiture of selected out of province assets in late 2009. Excluding these out of province expenses, operating expenses in 2010 increased by $23.2 million, primarily due to increased expenses to support growth in cellular, *MAX*™ Entertainment and internet revenues, increases in services expenditures, and one-time operating expense reductions recorded in 2009. These increases were partially offset by reductions in depreciation and restructuring charges.
- Interest costs of $20.2 million (2009 - $22.1 million) decreased primarily due to increases in the fair value of sinking funds and increased sinking fund earnings.
- Debt increased to $492.6 million (2009 - $332.7 million) due the issuance of long-term and short-term debt to support increased investing activities.
- Net capital expenditures for the year are $300.8 million, up $71.5 million from 2009, primarily due to increased spending for Saskatchewan Infrastructure Improvement Program (SIIP) including migration of the wireless network to 3G standards. The increase was partially offset by reduced spending on intangible assets and proceeds from the disposal of investments. SaskTel's spending on property, plant and equipment in 2010 was $282.4 million, up $80.9 million from 2009. Spending increased to support the SIIP, enhancements to *MAX*™ Entertainment services and increased spending on buildings and equipment.
- Debt ratio of 33.4 per cent (2009 - 24.4 per cent) increased as a result of borrowings to support increased capital expenditures primarily for the SIIP.
- Return on equity increased to 18.9 per cent (2009 - 16.2 per cent) consistent with higher earnings.
- Dividends of $139.7 million were declared in 2010 (2009 - $103.2 million).

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net earnings	$ 155.2M	$ 115.2M	$ 129.0M	$ 123.6M	$ 84.1M	$ 72.5M
Dividend declared to CIC	$ 139.7M	$ 115.2M	$ 103.2M	$ 78.9M	$ 30.0M	$ 50.0M
Total assets	$ 1,580.4M	$ 1,631.5M	$ 1,416.8M	$ 1,358.6M	$ 1,296.5M	$ 1,254.9M
ROE	18.9%	14.5%	16.2%	16.1%	11.8%	10.7%
Debt ratio	33.4%	36.1%	24.4%	27.3%	27.7%	30.4%

SaskTel

COMPARISON OF 2010 RESULTS WITH BUDGET

- Net earnings of $155.2 million was $40.0 million higher than budget. Operating revenues of $1,112.4 million were $28.3 million lower than budget primarily due to reclassification of Hospitality Network Canada Inc. and Saskatoon Square to discontinued operations. Excluding these reclassifications, revenues exceeded budget by $5.9 million due to favourable wireless, long distance, data and internet, DirectWest and SaskTel International revenues. Lower than expected customer growth in *MAX*™ Entertainment services and lower than expected sales of customer premise equipment partially offset these increases.
- Operating expenses of $953.4 million were $38.1 million below budget due mainly to reclassification of Hospitality Network Canada Inc. and Saskatoon Square expenses as expenses of discontinued operations. Excluding these reclassifications, operating expenses were $7.8 million lower than expected due to lower than budgeted spending on direct expenses and salaries and benefits, offset by higher than budgeted spending for services and material expenses.
- Depreciation expense is lower than budget due to lower than expected spending for property, plant and equipment.
- Interest costs of $20.2 million were $7.9 million lower than budget due to delayed borrowing, lower than budgeted interest rates and higher than expected sinking fund earnings.

2011 OUTLOOK

- SaskTel's targeted 2011 net income is $161.0 million.
- Revenues from growth initiatives including cellular, internet and *MAX*™ Entertainment services are projected to increase while revenues from local and long distance services are expected to decline. SaskTel forecasts in excess of $1.0 billion in gross revenues for the sixth year in a row.
- SaskTel will continue to focus on productivity gains to continue to manage costs.
- SaskTel has budgeted approximately $291.9 million on capital expenditures during 2011.

KEY FACTORS AFFECTING PERFORMANCE

- Industry transformation including continued convergence and next generation technologies delivering internet protocol (IP) services through traditional and new non-traditional competitors.
- Competitive pressures in all markets and the decline of traditional revenues.
- Ability to implement strategies to capture new growth revenues and retain our existing revenue base.
- Challenges of meeting cost reduction targets through improved productivity, while providing exceptional customer service and meeting the communications needs of the people of Saskatchewan.
- Changes in policies, regulations and decisions coming from the Canadian Radio-television and Telecommunications Commission (CRTC) and Industry Canada.

KEY OPERATIONAL DATA

	2010	2009	2008	2007	2006
Permanent full time employees[1]	**4,328**	3,479	3,659	3,797	3,895
Network access services	**528,546**	543,585	555,668	565,647	576,289
Cellular access services	**560,863**	541,105	502,020	452,218	402,676
Internet access services	**230,996**	225,125	216,062	205,837	192,623
Originated minutes (000's)	**1,308,318**	1,350,491	1,397,661	1,388,800	1,393,824

[1] 2010 reported as full time equivalent employees. All other years reported as permanent full time employees

SUBSIDIARY CORPORATION PROFILES UTILITIES

SaskEnergy

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- SaskEnergy continues to develop province-wide customer connections, adding 5,470 new customers in 2010, while delivering the lowest residential delivery rates in Canada. In October 2010, the government approved a 12.7 per cent decrease to SaskEnergy's natural gas commodity rate, resulting in the lowest natural gas rate for distribution customers since 2001. Safe and reliable service were maintained throughout 2010, with the company performing 67,500 line locates and responding to 23,000 calls for safety service. SaskEnergy was named one of Canada's Best Employers for New Canadians in 2010 by MediaCorp Canada Inc. and is well ahead of the Provincial Government's "Go Green" target of a 20.0 per cent reduction of 2006 greenhouse gas emissions by 2020.
- Net earnings of $37.0 million was lower than the prior year (2009 - $93.3 million), primarily due to $18.0 million in unfavourable market value adjustments compared to $30.8 million favourable market value adjustments in 2009. These unfavourable market value adjustments are comprised of a $20.6 million revaluation of natural gas in storage (2009 - $Nil) net of a $2.6 million favourable fair value adjustment on financial and derivative instruments (2009 - $30.8 million favourable).
- Net earnings from operations, which removes the volatility related to these unrealized market value adjustments, was $54.5 million (2009 - $64.0 million). Included in the 2009 results was $13.3 million of earnings related to Heritage Gas Limited, which SaskEnergy sold at the end of 2009.
- Revenues were $951.7 million and expenses were $914.7 million (2009 - $1,197.2 million and $1,117.2 million, respectively) as the continued market trend toward lower natural gas prices had a significant impact on SaskEnergy's revenues and expenses. SaskEnergy took advantage of these lower natural gas prices by lowering its commodity rate to levels not seen since 2001 and leveraging its storage and gas marketing capabilities to generate new revenues.
- Capital investment was $139.9 million (2009 - $130.3 million). The majority of the capital investments were made to maintain the integrity of SaskEnergy's extensive distribution and pipeline infrastructure, ensuring safe and reliable service. SaskEnergy connected nearly 5,500 new customers to its distribution system and constructed 385 kilometers of pipeline throughout the Province. Additionally, SaskEnergy invested $11.2 million in new business development opportunities within Saskatchewan.
- Debt increased to $953.6 million (2009 - $903.3 million) to fund capital expenditures, purchase natural gas in storage resulting in a debt ratio of 65.7 per cent (2009 - 63.9 per cent). With relatively low interest rates on short-term debt, SaskEnergy increased short-term debt rather than issue additional long-term debt, thereby reducing interest expense by $6.0 million from the previous year.
- Return on equity of 11.8 per cent (2009 - 13.5 per cent) corresponded with the lower net earnings from operations.
- Dividends of $48.8 million (2009 - $51.2 million) were declared to CIC based on net earnings from operations of $54.5 million.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net earnings	$ 37.0M	$ 58.1M	$ 93.3M	$ 29.2M	$ 88.1M	$ 53.2M
Dividends declared to CIC	$ 48.8M	$ 58.1M	$ 51.2M	$ 42.9M	$ 53.0M	$ 34.5M
Total assets	$ 1,643.9M	$ 1,675.4M	$ 1,586.9M	$ 1,560.1M	$ 1,411.4M	$ 1,327.7M
ROE	11.8%	12.9%	13.5%	12.5%	15.4%	14.7%
Debt ratio	65.7%	67.9%	63.9%	66.4%	62.8%	63.4%

SUBSIDIARY CORPORATION PROFILES UTILITIES

SaskEnergy

COMPARISON OF 2010 RESULTS WITH BUDGET

- SaskEnergy does not budget market value adjustments, as these adjustments can vary significantly and do not necessarily represent the amount that will be realized by the company. Net earnings from operations net of market value adjustments was $54.5 million or $3.6 million below budget, given lower transmission volumes and the temporary shutdown of the Kisbey Gas Plant to accommodate plant expansion. On the upside, SaskEnergy experienced a strong year for its gas marketing activities and realized a reduction in operating expenses resulting from SaskEnergy's continued focus on productivity gains and cost containment.
- With natural gas market prices lower than anticipated in the budget, revenues and expenses were each lower than the budgeted $1,003.0 million and $944.9 million, respectively.
- Dividends were below budget due to lower transmission volumes and the reduction of the dividend rate.

2011 OUTLOOK

- As the Saskatchewan economy grows, SaskEnergy expects continued strong demand for natural gas services.
- SaskEnergy anticipates net earnings from operations of $96.3 million in 2011, although earnings may vary materially with the implementation of IFRS in 2011.
- SaskEnergy anticipates capital investments of $577.7 million over the next five years. Most of this additional capital will be spent to maintain, improve and expand the natural gas transmission and distribution systems.
- In 2011, SaskEnergy will continue to support energy efficiency by providing provincial energy conservation programs for our customers, while striving to surpass the Government of Saskatchewan's greenhouse gas reduction targets by 2020.

KEY FACTORS AFFECTING PERFORMANCE

- Volatile natural gas market prices can have a significant impact on SaskEnergy's results. A $1 per GJ change in the market price of natural gas affects the annual cost of natural gas by approximately $55.0 million.
- SaskEnergy uses various natural gas derivative instruments to manage the risk of natural gas price fluctuations. Prior to settlement, all natural gas derivative instruments are recorded at fair value. Given fluctuations in natural gas market prices, fair value adjustments vary throughout the length of the contract. At year end, a $1 per GJ change in natural gas prices would have increased/decreased the fair value adjustment by $28.8 million.
- SaskEnergy's natural gas in storage is valued at the lower of cost and net realizable value, which could result in a revaluation of natural gas in storage. In order to determine the net realizable value, SaskEnergy uses future market prices based on anticipated delivery dates. At year end, a $0.25 per GJ change in the net realizable value would have increased/decreased the revaluation of natural gas in storage by $12.9 million.
- In Saskatchewan, variability in winter weather temperature has a direct impact on the volume of natural gas consumed by distribution customers. Every 1.0 per cent change in heating degree days affects SaskEnergy's distribution revenue by approximately $0.7 million.

KEY OPERATIONAL DATA

	2010	2009	2008	2007	2006
Permanent full time equivalents	**932**	941	955	910	853
Total distribution customers	**352,560**	347,327	342,606	336,512	332,148
Residential average usage (M^3)	**2,856**	3,414	3,303	3,153	2,938
Distribution pipelines (KM)	**67,462**	67,166	66,829	66,460	66,163
Transmission pipelines (KM)	**14,639**	14,550	14,339	14,318	14,252

SUBSIDIARY CORPORATION PROFILES

UTILITIES

SaskWater
The Quality Advantage

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- Net earnings for the year were $0.2 million (2009 - $0.5 million). Potable water sales and revenues were down compared to 2009 due to the larger than normal amount of rainfall in 2010.
- Revenues of $24.3 million increased by $3.5 million (2009 - $20.8 million) primarily due to increased revenues in non-potable water and services lines of business.
- Expenses of $24.1 million increased by $3.8 million (2009 - $20.3 million) primarily due to increased costs relating to amortization, staffing costs and the services lines of business.
- Debt was $54.9 million (2009 - $49.1 million), an increase of $5.8 million. This increase relates to borrowings to finance the construction of ongoing capital projects.
- Capital spending of $24.4 million increased by $6.6 million (2009 - $17.8 million) primarily due to major ongoing construction of capital projects during 2010.
- Total water services volumes were 20.7 million m^3 (2009 - 18.0 million m^3). The increase was primarily due to increased industrial water usage.
- Debt ratio of 54.8 per cent decreased by 3.5 percentage points (2009 - 58.3 per cent) primarily due an $8.0 million equity advance received from CIC.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net earnings (loss)	$ 0.2M	$ 0.2M	$ 0.5M	$ (1.0M)	$ (0.6M)	$ 0.3M
Grant funding from CIC	$ 0.0M	$ 0.0M	$ 0.0M	$ 0.1M	$ 0.1M	$ 0.1M
Total assets	$ 147.7M	$ 137.6M	$ 95.0M	$ 79.1M	$ 77.1M	$ 73.5M
Debt ratio	54.8%	64.2%	58.3%	55.2%	53.7%	50.3%

SUBSIDIARY CORPORATION PROFILES

UTILITIES

SaskWater
The Quality Advantage

COMPARISON OF 2010 RESULTS WITH BUDGET

- Net earnings were substantially at budget.
- Revenues were $1.0 million greater than the $23.3 million budget due primarily to higher revenues than were expected for the services lines of business.
- Expenses were $1.0 million greater than the $23.1 million budget primarily due to increased staffing and increased costs for the services lines of business.

2011 OUTLOOK

- SaskWater has budgeted total revenues to increase by 30.8 per cent ($7.5 million) to $31.8 million primarily due to the Mosaic potash pipeline expansion coming into service in 2011.
- SaskWater expects to invest $9.5 million, net of customer contributions of $21.4 million, in water and wastewater infrastructure projects in the province.
- SaskWater has budgeted net earnings of $0.2 million in 2011.

KEY FACTORS AFFECTING PERFORMANCE

- Weather: high rainfall decreases water sales.
- Industrial customers' product market conditions.
- Construction costs for capital infrastructure.

Information Services Corporation
OF SASKATCHEWAN

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- In 2010, ISC was named by MediaCorp Canada Inc. as one of Canada's Top 100 Employers, a Top 20 Employer in Saskatchewan and one of Canada's Top 25 Family-Friendly Employers.
- In October, the Corporate Registry transferred to ISC from the Ministry of Justice. This is the first step in the development of an online Business Registration Portal, the first phase of which is due to launch in spring 2011. This expanded registry service will allow new businesses to complete the steps to register a corporation using one, easy-to-use online application. Customers will be able to register:
  - as a business in the Corporate Registry;
  - as an employer with the Workers' Compensation Board; and
  - for Provincial Sales Tax (PST) with the Ministry of Finance.
- In 2010, ISC achieved Level 3 certification in the National Quality Institute's (NQI) Progressive Excellence Program, Integrated Criteria. Level 3 is identified by NQI as the Role Model Level, where quality and healthy workplace practices are at work throughout the entire organization. ISC became the first corporation in Saskatchewan to be recognized by NQI with a Silver Canada Award for Excellence.
- Net earnings increased to $15.6 million (2009 - $15.1 million) primarily due to increase of Land Registry revenue, Corporate Registry revenue for one quarter, partially offset by increased employee, technology and project expenditures.
- Revenues of $60.4 million (2009 - $57.1 million) increased due to the addition of Corporate Registry revenue, offset by lower revenue from land registry transactions.
- Expenses of $44.8 million (2009 - $42.0 million) increased due to the addition of Corporate Registry and increases in employee, technology and project expenditures.
- Debt was $13.5 million (2009 - $13.5 million), consistent with prior year.
- Capital spending was $3.3 million (2009 - $5.3 million), primarily related to the Business Portal, Vital Statistics modernization, the customer relationship management system, and mineral mapping projects.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net earnings	$ 15.6M	$ 16.4M	$ 15.1M	$ 22.4M	$ 23.0M	$ 8.7M
Dividends declared to CIC	$ 14.0M	$ 16.4M	$ 13.6M	$ 21.1M	$ 8.0M	$ Nil
Total assets	$ 43.9M	$ 44.5M	$ 44.7M	$ 40.1M	$ 46.8M	$ 42.2M
ROE	90.1%	99.6%	95.4%	155.5%	125.2%	130.4%
Debt ratio	42.8%	45.1%	46.2%	48.5%	51.4%	82.8%

SUBSIDIARY CORPORATION PROFILES

UTILITIES

Information Services Corporation OF SASKATCHEWAN

COMPARISON OF 2010 RESULTS WITH BUDGET

- Net earnings were $0.8 million less than the $16.4 million budget, primarily due to lower land, geomatics and legal survey revenues, employee costs, project expenditures and depreciation and amortization.
- Revenues were lower than $62.5 million budget by $2.1 million, primarily due to lower than expected volumes of land transactions and reduced activity and contracts in geomatics and legal survey revenues.
- Operating expenses were $0.6 million below the $38.7 million budget, primarily due to lower employee costs and project expenditures.
- Dividends paid were $2.4 million lower than the $16.4 million budget, primarily due to a change in dividend payout rate by CIC.

2011 OUTLOOK

- ISC expects revenue to increase in 2011 as real estate market conditions are expected to strengthen.
- ISC will continue to focus on productivity, efficiency and cost containment in 2011, while also ensuring solid operating performance.
- As demonstrated by being named one of Canada's Top 100 Employers, one of Saskatchewan's Top 20 Employers and one of Canada's Top Family-Friendly Employers, ISC strives to be an employer of choice.
- Effective October 2010, Corporations Branch transferred from the Ministry of Justice to ISC. This move leverages ISC's significant registry expertise, core competencies and infrastructure to enhance and further evolve service delivery to the business community in the future.

KEY FACTORS AFFECTING PERFORMANCE

- Volume of searches and registrations are driven by economic activity.
- Revenues are influenced by volume transactions and property values.
- Achievement of targeted cost reductions and cost containment must receive concerted attention.

SUBSIDIARY CORPORATION PROFILES

INSURANCE

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- In 2010, SGI CANADA was impacted by the significant storm activity experienced throughout Saskatchewan. However, SGI CANADA benefited from improving capital markets and a strong reinsurance program. Additionally, SGI CANADA continues to spread its insurance risk across other geographic areas in Canada and benefited from improved profitability from operations outside Saskatchewan.
- SGI CANADA's net earnings were $48.4 million (2009 - $52.4 million), which is significant given the exceptional storm activity experienced in Saskatchewan during the year. The 2010 net earnings were a combination of a consolidated underwriting profit of $13.1 million and $38.3 million in investment earnings. All operating jurisdictions posted net earnings in 2010.
- Revenues were $445.8 million (2009 - $390.1 million). The increase is a result of premium growth in all jurisdictions and an improvement in investment earnings. Saskatchewan and Ontario operations account for the majority of the premium growth. Investment earnings benefited from significant investment gains as the investment portfolio asset mix weightings were transitioned to an asset-liability matching strategy during the year.
- The return on investment portfolio was 5.9 per cent compared to 2.9 per cent in 2009.
- Claims incurred increased to $240.0 million (2009 - $189.6 million) largely due to the impact of several severe storms in Saskatchewan in 2010. Correspondingly, the loss ratio[1] for 2010 of 58.9 per cent was higher than the 2009 loss ratio of 51.2 per cent.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net earnings	$ 48.4M	$ 42.7M	$ 52.4M	$ 40.4M	$ 35.1M	$ 52.1M
Dividend declared to CIC	$ 43.5M	$ 42.7M	$ 34.0M	$ 26.2M	$ 22.8M	$ 33.9M
Total assets	$ 872.8M	$ 891.3M	$ 827.4M	$ 717.3M	$ 707.2M	$ 662.5M
ROE	23.1%	20.2%	26.5%	22.3%	20.9%	34.2%
Minimum Capital Test[2]	247%	268%	254%	228%	266%	271%

[1] The loss ratio is a ratio of claims incurred net of reinsurance expressed as a percentage of net premiums earned.

[2] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

SUBSIDIARY CORPORATION PROFILES

INSURANCE

SGI CANADA

COMPARISON OF 2010 RESULTS WITH BUDGET

- Net earnings were $5.7 million higher than budget primarily due to higher than planned investment returns. The investment returns assisted in offsetting the significant storm claim costs experienced in 2010.
- Revenues of $445.8 million exceeded budget by $29.1 million. Investment earnings of $38.3 million were $15.6 million higher than planned, while auto premium revenues in Ontario and Alberta were higher than anticipated and contributed to the favourable $13.5 million premium revenue variance.
- Claims incurred of $240.0 million were $21.0 million or 9.6 per cent higher than the budget of $219.0 million, primarily a reflection of the significant storm activity in Saskatchewan in 2010.

2011 OUTLOOK

- SGI CANADA is implementing a new strategic plan in 2011, including the establishment of a Product Management division to focus on the profitability of products, new product development, and market and competitor analysis. In addition, an eServices strategy has been established to add value to the broker partnership and SGI CANADA has embarked on a business intelligence project to leverage corporate data.
- The significant concentration of storm losses in Saskatchewan in 2010 demonstrates the benefits from geographic spread of risk. Diversification efforts to spread insurance risk geographically will continue to assist with lessening the impact of potential future weather events. The focus of diversification will be profitable, controlled growth in the markets SGI CANADA currently operates in, with no plan to enter new territories.

KEY FACTORS AFFECTING PERFORMANCE

- Weather conditions (for example, storm activity).
- Geographic diversification and the purchase of reinsurance, which passes part of the risk to other insurers, mitigate the effect of adverse weather conditions.
- Capital markets have a significant impact on investment earnings and profitability.
- While investment market volatility is always a risk, SGI CANADA plans to maintain its well diversified investment portfolio and prudent investment management policies and processes.
- Increased competition.

KEY OPERATIONAL DATA

	2010	2009	2008	2007	2006
Permanent full time employees	1,826	1,842	1,801	1,747	1,645
Net premiums written	$ 430.6M	$ 393.9M	$ 353.4M	$ 320.7M	$ 301.2M
Number of policies in force	563,922	550,821	534,732	510,449	490,501
Number of claims	92,294	85,722	79,836	80,147	71,749

INSURANCE

SGI

The Saskatchewan Auto Fund (the Auto Fund) is not a subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Auto Fund. The results of the Auto Fund are not included in CIC's or SGI's consolidated financial statements.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- In 2010, the Auto Fund benefited from improved investment markets. Additionally, the strong Saskatchewan economy contributed to continued premium growth attributable to a newer vehicle population and growth in vehicle counts.
- The Auto Fund posted a surplus of $68.4 million in 2010 (2009 - $40.8 million deficit). The improvement is primarily a reflection of a significant increase in investment earnings, combined with improved underwriting results.
- While investment markets improved during the year, a significant portion of the investment earnings increase is attributable to realized gains on the sale of investments. Significant gains were taken in late 2010 as the portfolio weightings were transitioned to an asset-liability matching strategy resulting in the sale of long-term bonds.
- The Auto Fund underwriting results improved largely due to an improvement in current year claim results, which saw an 87.8 per cent loss ratio[1] compared to 91.7 per cent in 2009. This improvement is significant, given the unusually high storm costs experienced by the Auto Fund during 2010.
- The Rate Stabilization Reserve increased to $142.3 million in 2010 (2009 - $67.2 million).
- The Minimum Capital Test improved to 124 per cent (2009 - 83 per cent), reflecting improvement of investment markets in 2010.
- Capital spending decreased to $7.0 million in 2010 (2009 - $10.8 million), a result of lower capital expenditures related to development of the Auto Fund information system, which was completed during 2010.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net earnings (loss)	$ 68.4M	$ 0.3M	$ (40.8M)	$ (42.7M)	$ 32.0M	$ 101.1M
Total assets	$ 1,646.1M	$ 1,556.1M	$ 1,486.2M	$ 1,342.7M	$ 1,371.7M	$ 1,317.8M
Minimum Capital Test[2]	124%	91%	83%	61%	132%	179%
Rate stabilization reserve	$ 142.3M	$ 82.3M	$ 67.2M	$ 102.5M	$ 141.0M	$ 205.6M

[1] The loss ratio is a ratio of claims incurred net of reinsurance expressed as a percentage of net premiums earned.

[2] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

INSURANCE

SGI

COMPARISON OF 2010 RESULTS WITH BUDGET

- Earnings of $68.4 million were $68.1 million higher than budgeted, largely a result of the substantial investment earnings realized during the year.
- Underwriting results were $4.3 million better than planned, primarily due to lower than budgeted claim costs. While current year claim costs were slightly over budget, the Auto Fund benefitted from favourable development on prior year claims.

2011 OUTLOOK

- With the strength of the Saskatchewan economy, the Auto Fund anticipates continued revenue growth attributable to a newer vehicle base and positive growth in vehicle counts.
- Heading into 2011 and beyond, the Auto Fund is adequately capitalized and positioned well to serve its growing customer base. In 2011, the Auto Fund will begin implementation of a new five year strategic plan.
- No rate increase is anticipated in 2011.

KEY FACTORS AFFECTING PERFORMANCE

- Weather conditions (for example winter driving conditions and summer storm activity).
- Reinsurance protection is purchased to mitigate the effects of catastrophic events on the rate stabilization reserve.
- Returns from capital markets have a significant impact on investment earnings and the rate stabilization reserve balance.
- While investment market volatility is always a risk, the Auto Fund plans to maintain its well diversified investment portfolio and prudent investment management policies and processes.

SUBSIDIARY CORPORATION PROFILES

ENTERTAINMENT

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- SGC's reduced performance is primarily due to a 53 day labour disruption in the summer that resulted in reduced operating hours, reduced services and a decline in guest counts. Slot games were in full operation with reduced operating hours for the entire casino. Table games and the restaurant were closed during the period of the disruption.
- Net earnings were $21.5 million, down $3.9 million from 2009 due mainly to a decline in guest visits during the labour disruption, although SGC also experienced a decline in guest visits during the first six months of 2010. Due to marketing efforts, guest visits rebounded in July 2010 and for the remainder of the year. Guest visits in 2010 were 3.4 million, compared to 3.3 million in 2009.
- Revenues after promotional allowances and cost of goods sold were $124.1 million (2009 - $131.9 million) down $7.8 million from 2009. Lower revenues reflect the labour disruption that occurred in the summer and an increase in promotional allowances to attract additional customers after the labour dispute was resolved.
- Expenses were $81.1 million virtually unchanged in 2010. Costs remained essentially the same due to savings in wages and benefits during the labour disruption.
- SGC achieved an EBITDA margin of 43.5 per cent of revenue, compared to 48.7 per cent in 2009; lower due to decreased revenues in 2010 compared to 2009.
- Debt was $23.6 million (2009 - $29.2 million). During the year, SGC reduced debt by $5.6 million from available cash flow, thereby improving the debt to equity ratio to 43.3 percent.
- Capital spending for 2010 was $6.0 million.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual[1]	2007 Actual[2]	2006 Actual[2]
Net earnings	$ 21.5M	$ 25.2M	$ 25.4M	$ 19.1M	$ 43.8M	$ 34.9M
Dividend declared to CIC	$ 19.4M	$ 25.2M	$ 20.3M	$ 15.3M	N/A[4]	N/A[4]
Total assets	$ 71.2M	$ 78.9M	$ 78.4M	$ 82.0M	$ 70.4M	$ 72.2M
Debt ratio	43.3%	55.8%	50.4%	45.8%	N/A[3]	N/A[3]

[1] Nine months of operations - April 1, 2008 to December 31, 2008 after payment to GRF on behalf of Community Initiatives Fund and First Nations Trust.

[2] Twelve months of operations - April to March before any payments to the GRF.

[3] SGC retained no equity prior to April 1, 2008.

[4] Prior to April 1, 2008, SGC was a Treasury Board Crown Corporation, and as such, its results were not consolidated with CIC's.

SUBSIDIARY CORPORATION PROFILES

ENTERTAINMENT

Casinos Regina & Moose Jaw

COMPARISON OF 2010 RESULTS WITH BUDGET

- Net earnings were below budget by $3.7 million due to a slow start in the early part of the year followed by the labour disruption during the summer months.
- Net revenues were $15.3 million lower than the budget of $139.4 million due primarily to slot revenue. Slot revenues were below budget by $9.8 million; $5.6 million of that shortfall can be attributed to the months of June and July. Table revenues were below budget $1.6 million, of which $1.3 million can be attributed to the months of the labour disruption. Promotional spending was over budget by $3.9 million due to marketing costs incurred during the latter part of the year to recover from the impact of the labour disruption.
- Operating expenses were $7.9 million below the budget of $89.0 million. Salaries and benefits were below budget by $4.3 million primarily due to the impact of the labour disruption. Other savings were achieved through expense management required as a result of the revenue shortfall.

2011 OUTLOOK

- 2011 net earnings is budgeted at $25.5 million.
- The recent decline in the rate of gaming growth across Canada from traditional casino gaming is expected to continue into the future. SGC anticipates gross revenues for 2011 to remain at 2010 levels.
- Online gaming has had significant growth in the gaming industry. At present, SGC believes that market erosion to the internet is limited.
- SGC will continue to focus on guest service excellence, ensuring the facilities, employees and entertainment are meeting guests' experience expectations.
- SGC will build on the enterprise risk management framework established in 2010, continuing to move SGC toward best practices.
- SGC will continue with its operational efficiency initiatives to ensure the continued profitability of the organization.

KEY FACTORS AFFECTING PERFORMANCE

- Economic environment which impacts the discretionary dollars available to consumers for entertainment.
- Increased competition.

SUBSIDIARY CORPORATION PROFILES TRANSPORTATION

STC
The Bus Company

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- STC's ridership increased 3.8 per cent from 2009. The success of the $10 senior seat sale promotion in May and September, combined with a summer youth pass, contributed to the increased ridership that extended through the fourth quarter.
- Focus remained on improving the customer experience through terminal renovations and on board amenities. In a customer survey, 92.0 per cent of respondents rated STC's overall service as good or excellent.
- Operating loss of $10.8 million before grant funding (2009 - $10.6 million loss) increased slightly due to increased fuel, wages, security, and building maintenance costs partially offset by an increase in passenger and express revenues.
- CIC provided grants of $9.3 million (2009 - $9.6 million) to cover the operating cash shortfall and capital expenditures.
- Operating revenues were $16.2 million (2009 - $15.7 million). The increase is primarily due to an increase in ridership and rate increases in early 2010.
- Operating expenses of $27.0 million (2009 - $26.3 million) increased primarily due to higher fuel, wages, security and building maintenance expenses.
- Capital spending was $2.1 million (2009 - $2.3 million). The decrease is primarily due to reduced fleet and facility spending.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net earnings (loss)	$ 0.1M	$ (0.7M)	$ (0.8M)	$ (0.8M)	$ (0.3M)	$ (0.4M)
Operating loss	$ (10.8M)	$ (11.9M)	$ (10.6M)	$ (8.5M)	$ (6.7M)	$ (5.7M)
Operating grant from CIC	$ 8.4M	$ 9.0M	$ 7.8M	$ 6.2M	$ 5.0M	$ 4.0M
Capital grant from CIC	$ 0.9M	$ 0.9M	$ 1.8M	$ 9.0M	$ 15.6M	$ 4.3M
Passenger loss per mile	$ 2.29	$ 2.39	$ 2.22	$ 1.75	$ 1.40	$ 1.22

SUBSIDIARY CORPORATION PROFILES TRANSPORTATION

STC
The Bus Company

COMPARISON OF 2010 RESULTS WITH BUDGET

- Operating loss of $10.8 million before grant funding was $1.1 million lower than budget primarily due to reduced wages and benefits, fuel, advertising, training and travel with an increase in ridership and sales volumes.
- Revenues were $0.1 million lower than the $16.3 million budget due to an increase in passenger and express revenues offset by a decrease in charter revenue from the loss of contracts and lower Greyhound commission.
- Expenses were $1.1 million below the $28.1 million budget primarily due to savings in wages and benefits, fuel, advertising, training and travel costs.

2011 OUTLOOK

- STC expects capital spending of $2.0 million in 2011, mainly for expenditures on fleet replacement and a point of sale system upgrade.
- New and innovative marketing of customer discount programs and other customer service enhancements will continue to be undertaken to increase ridership.

KEY FACTORS AFFECTING PERFORMANCE

- Fluctuating fuel prices.
- Competitive freight market.
- STC continues to focus on its image, services and public awareness in order to increase ridership levels and revenues.

SUBSIDIARY CORPORATION PROFILES

INVESTMENT &
ECONOMIC GROWTH

CIC
Asset Management Inc.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- CIC AMI's focus is on prudently managing the existing portfolio with the mandate to divest of its assets in an orderly manner. Investment activity is limited to fulfilling previous commitments and making add-on investments where additional disbursements will protect CIC AMI's assets.
- CIC AMI had a net loss of $11.0 million in 2010 compared to a net loss of $32.8 million in 2009.
- The decrease in net loss is attributable to non-recurring 2009 consolidated operating losses comprised of a $17.9 million investment write-down related to Big Sky Farms Inc. (Big Sky) and a $7.6 million write-down related to the investment in Performance Plants Inc.
- Revenue of $15.6 million in 2010 was lower than the $119.5 million reported in 2009 as CIC AMI no longer consolidates the results of Big Sky post November 10, 2009 due to Big Sky entering creditor protection. Upon emerging from creditor protection on March 22, 2010, Big Sky was accounted for as an equity investment as CIC AMI no longer held a controlling interest. Due to the change in control, CIC AMI's share of Big Sky's net earnings is recorded in earnings from equity investments in 2010.
- Expenses of $2.4 million in 2010 decreased from $131.9 million reported in 2009. This is mainly due to CIC AMI no longer consolidating Big Sky after November 10, 2009. CIC AMI also reduced investment management fees paid in 2010 as third party investment managers paid in 2009 were not retained in 2010.
- Capital spending for property, plant and equipment was $Nil in 2010, compared to $0.6 million in 2009.
- Investment disbursements of $2.0 million in 2010 are lower than the $7.0 million reported in 2009 due to decreased new investment activity by CIC AMI and its consolidated entities.
- The provision for environmental liabilities increased by $4.0 million in 2010 to $102.6 million. This increase is due to inflationary adjustments to the expected cost of remediation.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net (loss) earnings	$ (11.0M)	$ 5.2M	$ (32.8M)	$ 691.0M	$ 11.5M	$ 72.9M
Dividend declared to CIC	$ Nil	$ Nil	$ 34.0M	$ 543.0M	$ 10.3M	$ 59.1M
Total assets	$ 276.0M	$ 381.7M	$ 392.8M	$ 564.5M	$ 652.5M	$ 1,369.1M
ROE	(7.2%)	1.9%	(12.2%)	210.0%	2.4%	13.9%
Debt ratio	N/A	N/A	N/A	18.0%	13.0%	9.1%

CIC
Asset Management Inc.

COMPARISON OF 2010 RESULTS WITH BUDGET

- Net loss of $11.0 million was significantly lower than the $5.2 million net earnings budgeted. This is primarily due higher write-downs on the investment portfolio of $19.9 million offset by realized gains on sales of investment of $5.7 million.
- Distributions to CIC from CIC AMI depend on a cash availability formula. The form of cash disbursement can be either dividend or share retraction depending on the needs of the shareholder. During the year, CIC retracted 10.0 million of its outstanding shares for $100.0 million. This retraction is the primary cause of the $105.7 million decrease in total assets held.

2011 OUTLOOK

- In 2011, CIC AMI will pursue its mandate to prudently manage and divest its existing portfolio of investments.
- Investment activity is expected to be limited to small protective disbursements which may be required to position investees for sale. Protective investments are generally made to maximize recovery of the initial investment.
- Commodity prices for most investments are expected to remain at current levels while the North American economy stabilizes. CIC AMI expects a continuing recovery in its two significant commodity based investments Meadow Lake OSB Limited Partnership and Big Sky.
- If market conditions permit, CIC AMI expects to divest ten investments in 2011.

KEY FACTORS AFFECTING PERFORMANCE

- CIC AMI has investments whose products are exposed to commodity markets. Valuation of these investments is closely tied to the underlying commodity prices.
- CIC AMI is involved as a minority shareholder in several high risk venture capital investments. The valuation of these investments is subject to volatility.
- Changes in U.S./Canadian exchange rates can significantly impact the value of a commodity. As well, variation in exchange rates can significantly impact investments that buy from or sell into the U.S. markets.
- The outcome of outstanding litigation issues could have an impact on the value of some investments.
- Potential adjustments to the valuation of environmental remediation liabilities may have a material impact on CIC AMI's future performance.

SOCO

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

- 2010 was financially an excellent year for SOCO with revenues increasing by 13.7 per cent and operating cash flows increasing by 38.4 per cent.
- During 2010, SOCO received Building Owners and Managers Association (BOMA) BEST level 4 Certification, the highest level in BOMA, Canada's environmental recognition and certification program, for its newest building in Saskatoon. SOCO also returned to the list of Top 50 Best Small and Medium Employers in Canada in 2010.
- Net earnings of $6.2 million in 2010 increased from $4.1 million in 2009. This increase can be mainly attributed to the improved results of core rental operations and the Bio Processing Centre.
- Overall revenue of $36.2 million is up $4.4 million from $31.8 million reported in 2009. The core rental operations remain strong with revenue increasing $3.0 million in 2010 due to increased rental rates and occupancy within the Parks as well as increases in related service revenue. The Bio Processing Centre experienced a typical year of utilization in 2010 resulting in a $1.2 million increase in revenue from 2009.
- Expenses of $30.0 million increased $2.2 million from $27.8 million in 2009. This increase is due to additional operating expenses associated with the completion of the new buildings in 2009 and 2010, increased occupancy, as well as general increases in operating expenses. Despite increased costs relating to the increased processing activity, the Bio Processing Centre expenses remained consistent with 2009 due to the recovery of receivables previously allowed for. Administrative expenses increased $0.3 million in 2010. Interest and amortization increased a total of $0.5 million.
- Investment in capital assets of $3.5 million decreased from $6.2 million in 2009.
- Total debt outstanding at year end was $36.7 million, increasing by $1.9 million in 2010.

KEY FINANCIAL DATA

	2010 Actual	2010 Bus. Plan	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Net earnings	$ 6.2M	$ 2.9M	$ 4.1M	$ 5.1M	$ 3.7M	$ 4.9M
Dividends declared to CIC	$ 9.0M	$ 9.0M	$ Nil	$ Nil	$ Nil	$ Nil
Total assets	$ 68.2M	$ 210.7M	$ 66.3M	$ 64.7M	$ 51.7M	$ 36.6M
Debt ratio	57.6%	52.3%	53.5%	58.2%	61.7%	54.8%

SOCO

COMPARISON OF 2010 RESULTS WITH BUDGET

- Earnings were $3.3 million higher than the $2.9 million budget. The budget assumed a transfer to SOCO of $132.2 million in capital assets in 2010 along with associated amortization expense. The transfer did not occur resulting in amortization being under-budget for the year.
- The CIC Board directed a fixed $9.0 million one-time dividend for 2010.

2011 OUTLOOK

- The 2011 operating budget estimates $40.4 million of revenue will be generated and expenses of $35.8 million will be incurred resulting in net earnings of $4.6 million. This represents a decreased net earnings of $1.6 million from the 2010 results.

KEY FACTORS AFFECTING PERFORMANCE

- Demand for space versus the vacant space available.
- Market rental rates.
- The impact on tenants of current economic conditions.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. Management's attestation on the adequacy of financial controls appears opposite. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on the following page.

RW Carter

R.W. (Dick) Carter, FCA
President & CEO

Blair Swystun, CFA
Senior Vice-President & CFO

March 24, 2011

ANNUAL STATEMENT OF MANAGEMENT RESPONSIBILITY

I, R.W. (Dick) Carter, the President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan, and I, Blair Swystun, the Senior Vice-President and Chief Financial Officer of Crown Investments Corporation of Saskatchewan, certify the following:

> That we have reviewed the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2010.
>
> That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.
>
> That Crown Investments Corporation of Saskatchewan is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Crown Investments Corporation of Saskatchewan has designed internal controls over financial reporting that are appropriate to the circumstances of Crown Investments Corporation of Saskatchewan.
>
> That Crown Investments Corporation of Saskatchewan conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Crown Investments Corporation of Saskatchewan can provide reasonable assurance that internal controls over financial reporting as of December 31, 2010 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of Management;

RW Carter

R.W. (Dick) Carter, FCA
President & CEO

Blair Swystun, CFA
Senior Vice-President & CFO

March 24, 2011

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of operations and retained earnings, comprehensive income, accumulated other comprehensive income (loss) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 24, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of dollars)	2010	2009
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 405,815	$ 345,853
Short term investments (Note 4)	210,613	501,054
Restricted cash and cash equivalents (Note 5)	129,130	85,011
Accounts receivable (Note 6(d))	565,608	569,457
Derivative financial assets (Note 6)	79,124	51,827
Inventories (Note 7)	397,543	413,845
Prepaid expenses	141,328	123,288
Assets from discontinued operations (Note 8)	9,195	8,822
	1,938,356	2,099,157
Restricted cash and cash equivalents (Note 5)	20,000	166,693
Investments (Note 4)	1,133,276	1,157,067
Property, plant and equipment (Note 9)	6,896,850	6,417,451
Intangible assets (Note10)	193,908	194,552
Other assets (Note 11)	193,510	182,441
Long term assets from discontinued operations (Note 8)	38,878	38,932
	$ 10,414,778	$ 10,256,293
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	$ 8,750	$ 12,606
Accounts payable and accrued liabilities	595,477	579,333
Derivative financial liabilities (Note 6)	113,764	66,664
Notes payable (Note 12)	472,851	423,725
Deferred revenue	556,924	479,029
Liabilities from discontinued operations (Note 8)	2,037	2,674
Long term debt due within one year (Note 13)	20,212	180,540
	1,770,015	1,744,571
Long term debt (Note 13)	4,029,921	3,601,618
Other liabilities (Note 14)	553,682	652,625
Long term liabilities from discontinued operations (Note 8)	5,607	5,909
	6,359,225	6,004,723
Province of Saskatchewan's Equity		
Equity advances (Note 15)	931,152	1,051,152
Contributed surplus	161	136
Retained earnings	3,100,996	3,177,214
Accumulated other comprehensive income (loss) (Note 16)	23,244	23,068
	4,055,553	4,251,570
	$ 10,414,778	$ 10,256,293

Commitments and contingencies (Note 17)

(See accompanying notes)

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Year Ended December 31 (thousands of dollars)		2010		2009
REVENUE				
Sales of products and services	$	4,342,518	$	4,556,066
Investment (Note 4(e))		78,519		62,255
Other		122,841		36,073
		4,543,878		4,654,394
EXPENSES				
Operating costs other than those listed below		3,283,075		3,418,643
Interest (Note 18)		231,652		238,039
Depreciation and amortization (Note 19)		497,660		503,227
Saskatchewan taxes and fees (Note 20)		136,816		137,493
		4,149,203		4,297,402
Earnings before the following		394,675		356,992
Non-recurring items (Note 21)		-		(23,854)
(Provision for) recovery of environmental remediation liabilities (Note 14(a))		(4,020)		464
EARNINGS FROM CONTINUING OPERATIONS		390,655		333,602
Gain from discontinued operations (Note 8)		4,127		15,106
NET EARNINGS		394,782		348,708
RETAINED EARNINGS, BEGINNING OF YEAR		3,177,214		3,583,506
DIVIDEND TO GENERAL REVENUE FUND		(471,000)		(755,000)
RETAINED EARNINGS, END OF YEAR	$	3,100,996	$	3,177,214

(See accompanying notes)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31 (thousands of dollars)		2010		2009
NET EARNINGS	$	394,782	$	348,708
Foreign currency translation adjustments		(845)		(416)
Unrealized gain on cash flow hedges		542		576
Unrealized gain on available for sale financial assets		23,710		38,560
Reclassification for realized gains on sale of investments included in operations		(23,231)		(182)
Other comprehensive income		176		38,538
COMPREHENSIVE NET INCOME	$	394,958	$	387,246

(See accompanying notes)

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the Year Ended December 31 (thousands of dollars)		2010		2009
Balance, beginning of year	$	23,068	$	(15,470)
Other comprehensive income		176		38,538
BALANCE, END OF YEAR (NOTE 16)	$	23,244	$	23,068

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31 (thousands of dollars)	2010	2009
OPERATING ACTIVITIES		
Net earnings	$ 394,782	$ 348,708
Adjustments to reconcile net earnings to cash provided by operating activities (Note 22)	492,086	441,994
	886,868	790,702
Net change in non-cash working capital balances related to operations	34,637	46,002
Cash provided by operating activities from continuing operations	921,505	836,704
Cash provided by (used in) operating activities from discontinued operations	3,079	(3,570)
Cash provided by operating activities	924,584	833,134
INVESTING ACTIVITIES		
Purchase of investments	(540,310)	(478,606)
Proceeds from sale and collection of investments	900,178	727,054
Purchase of property, plant and equipment	(926,232)	(900,387)
Purchase of intangible assets	(35,762)	(54,252)
Proceeds from sale of property, plant and equipment	474	1,218
Decrease in restricted cash and cash equivalents	107,067	66,709
Decrease in other assets	7,802	33,676
Cash used in investing activities	(486,783)	(604,588)
FINANCING ACTIVITIES		
Increase in notes payable	49,125	201,276
Decrease in other liabilities	(85,094)	(29,703)
Debt proceeds from General Revenue Fund	441,675	93,500
Debt repayments to General Revenue Fund	(170,000)	(46,859)
Debt proceeds from other lenders	6,518	574
Debt repayments to other lenders	(10,482)	(12,233)
Sinking fund installments	(36,001)	(36,987)
Sinking fund redemptions	21,269	
Repayment of equity advances (Note 15)	(120,000)	
Dividend paid to General Revenue Fund	(471,000)	(905,000)
Cash used in financing activities	(373,990)	(735,432)
NET CHANGE IN CASH DURING YEAR	63,811	(506,886)
CASH POSITION, BEGINNING OF YEAR	339,656	846,542
CASH POSITION, END OF YEAR	$ 403,467	$ 339,656
Cash position consists of:		
Cash from continuing operations	$ 405,815	$ 345,853
Bank indebtedness from continuing operations	(8,750)	(12,606)
	397,065	333,247
Cash from discontinued operations (Note 8)	6,402	6,409
	$ 403,467	$ 339,656

(See accompanying notes)

1. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Crown Investments Corporation of Saskatchewan (CIC) was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993* (the Act).

The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP), within reasonable limits of materiality, using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of CIC under the Act. In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: CIC Asset Management Inc. (CIC AMI); First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; CIC Apex Equity Holdco Ltd; and Saskatchewan Immigrant Investor Fund Inc. (SIIF)[1].

Separate audited financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate audited financial statements for each of the undernoted Crown corporations are prepared and released publicly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these financial statements:

- Information Services Corporation of Saskatchewan (ISC)
- SaskEnergy Incorporated (SaskEnergy)
- Saskatchewan Development Fund Corporation (SDFC)
- Saskatchewan Gaming Corporation (SGC)
- Saskatchewan Government Insurance (SGI)
- Saskatchewan Opportunities Corporation (SOCO)
- Saskatchewan Power Corporation (SaskPower)
- Saskatchewan Telecommunications Holding Corporation (SaskTel)
- Saskatchewan Telecommunications
- Saskatchewan Transportation Company (STC)
- Saskatchewan Water Corporation (SaskWater)

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

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[1] SIIF was established on October 6, 2010 under *The Business Corporations Act (Saskatchewan)* to participate in the Government of Canada's Immigrant Investor Program (IIP). SIIF intends to use IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program to assist builders and developers in building affordable housing

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Joint ventures

The Corporation's interests in jointly controlled enterprises included in these financial statements are as follows:

Apex Investment Limited Partnership	54.5%
Centennial Foods Partnership	33.1%
Cory Cogeneration Funding Corporation	50.0%
Cory Cogeneration Joint Venture	50.0%
Foragen Technologies Limited Partnership	33.3%
Heritage Gas Limited (Note 8)	50.1%
Kisbey Gas Gathering and Processing Facility	50.0%
Saskatchewan Entrepreneurial Fund Joint Venture	45.5%
Totnes Natural Gas Storage Facility	50.0%

c) Variable interest entities

The Corporation consolidates certain entities over which the Corporation does not have voting control. Such an entity is referred to as a variable interest entity (VIE). In general, the investors of consolidated variable interest entities have recourse only to the assets of those variable interest entities and do not have recourse to the Corporation except where the Corporation has provided a guarantee to the investors.

An entity is classified as a VIE if it has: equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or; equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that the following entities fall under the classification of a VIE and have been consolidated in these financial statements:

Meadow Lake Pulp Limited Partnership (MLPLP)
212822 Saskatchewan Ltd.

MLPLP's and 212822 Saskatchewan Ltd.'s impact is not material to the Corporation's consolidated operating results.

d) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Inventories

Inventories for resale, including natural gas in storage held for resale, are valued at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Net realizable value for natural gas inventory is determined using near month and forward natural gas market prices as appropriate. Natural gas in storage held for resale is charged to inventory when purchased and expensed as sold.

Other supplies inventories are valued at the lower of weighted average cost and net realizable value. Replacement cost is used as management's best estimate of the net realizable value for other supplies inventory. In establishing the appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

f) Deferred funding from the Province of Saskatchewan's General Revenue Fund (GRF)

Funding transferred to the Corporation from the GRF, restricted for carbon capture and storage initiatives, was initially recorded as restricted cash and cash equivalents. The Corporation initially recorded a corresponding amount as deferred revenue. Amounts expected to be spent during the year are classified as current, while the remaining amount continues to be classified as long-term in other liabilities. As qualifying expenditures are made, the Corporation recognizes an equivalent amount of this funding in consolidated earnings and reduces restricted cash and cash equivalents and current deferred revenue by the same amount.

g) Property, plant and equipment

Property, plant and equipment are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest costs associated with major capital and development projects are capitalized during the construction period at the weighted average cost of long-term borrowings in the current year. Assets under construction are recorded as in progress until operational and available for use, at which time the completed asset is transferred to property, plant and equipment.

The costs of maintenance, repairs, renewals or replacements which do not extend useful life are charged to operations as incurred. The costs of replacements and improvements which extend useful life are capitalized.

When property, plant and equipment are disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions: natural gas utility operations apply this general policy only to complete asset units and, gains or losses on the disposal or retirement of incomplete asset units are included in accumulated depreciation.

Customer capital contributions related to the construction of new service connections are applied against property, plant and equipment and are amortized on a straight-line basis over the estimated service life of the related asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Depreciation of property, plant and equipment

Depreciation is recorded on machinery and equipment, buildings and improvements, as well as coal properties and rights, primarily on the straight-line basis over the estimated useful life of each asset as follows:

Machinery and equipment	2 -100 years
Buildings and improvements	5- 40 years
Coal properties and rights	30 years

i) Intangible assets

Intangible assets with an indefinite life are not subject to amortization.

Finite-life intangible assets acquired individually, with a group of other assets or through the Corporation's authorized dealers, are recorded at cost of acquisition or development, and may include direct development costs, overhead costs directly attributable to development activity, an allowance for interest costs related to financing development of assets, and betterment costs. These assets are amortized on a straight-line basis over the useful lives of the assets as follows:

Software	1-15 years
Customer accounts	5-10 years

The Corporation annually reviews the amortization method and useful lives of finite-life intangible assets.

Intangible assets are tested annually for impairment to ensure that fair value is greater than or equal to carrying value. Any excess of carrying value over fair value is charged to net earnings in the year in which the impairment is determined.

j) Asset retirement obligations

The Corporation recognizes asset retirement obligations in the year incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely, a reasonable estimate of fair value for the assets cannot be determined and no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) expense on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using a risk-free interest rate adjusted for the credit standing of the Corporation and is included in the consolidated statement of operations and retained earnings.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of property, plant and equipment. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment of long-lived assets

The Corporation evaluates its property, plant and equipment and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

l) Disposal of long-lived assets and discontinued operations

Assets held-for-sale are measured at the lower of their carrying amounts and fair value loss costs to dispose. Assets and liabilities held-for-sale are reported separately on the statement of financial position. A component of the Corporation that is held-for-sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

m) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites and are included in other liabilities.

These liabilities are based on management's best estimate considering current environmental laws and regulations and have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis.

n) Other assets

Natural gas in storage

Natural gas in storage is stated at the lower of weighted average cost and net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is determined using near month and forward natural gas market prices based on anticipated delivery dates. Natural gas in storage is classified as other assets when purchased and expensed when used.

Accrued pension asset

The accrued pension asset represents the surplus in the defined benefit pension plans based on long-term assumptions. The accrued pension asset is accounted for in accordance with the policy described in Note 2(t) - Employee future benefits.

Deferred supply agreements

Deferred supply agreements include payments made in accordance with long-term coal supply agreements. The Corporation is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Other assets (continued)

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. Any goodwill impairment is presented as a charge against net earnings in the year impairment is recognized. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination, using the fair value of the reporting units as if it was the purchase price. When the carrying amount of a reporting unit of goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statement of operations and retained earnings before earnings from continuing operations.

o) Deferred revenue due within one year

Deferred revenue due with one year primarily consists of insurance premiums. These unearned premiums are taken into revenue over the life of the policy.

p) Provision for unpaid insurance claims

The provision for unpaid insurance claims represents an estimate of the total cost of outstanding claims to the year-end date. The estimate includes the cost of reported claims and claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as an operating cost in the current year.

q) Revenue recognition

Gas marketing

Revenue from natural gas marketing is recognized when natural gas is delivered to customers. The Corporation acts as a principal in these natural gas marketing transactions, taking title to the natural gas purchased for resale, and assuming the risks and rewards of ownership.

Natural gas delivery and commodity

Delivery and commodity revenue is recognized when natural gas is delivered to customers. An estimate of natural gas delivered, but not billed, is included in revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Revenue recognition (continued)

Natural gas transportation and storage

Revenue is recognized when transportation, storage and related services are provided to customers. An estimate of transportation, storage and related services rendered, but not billed, is included in revenue.

Electricity

Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end. The estimated unbilled revenue is based on several factors, including estimated consumption by customer class, applicable customer rates and the number of days between the last billing date and the end of the year. Physical electricity trading revenues are reported on a gross basis upon completion of delivery of electricity to customers.

Telecommunications

Telecommunications revenues are recognized in the year the services are provided when there is clear proof that an arrangement exists, amounts are determinable, and the ability to collect is reasonably assured. Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the year the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs, are deferred and recognized over the average expected term of the customer relationship.

Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the year service is provided. Revenues from equipment sales are recognized when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized based on a percentage of completion. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

When the Corporation receives no identifiable, separable benefit for consideration given to a customer (e.g. discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Revenues are earned through the sale of print and electronic telephone directory advertising and on-line advertising. Advertising revenues are generally recognized, in accordance with the contractual terms with advertisers, on a monthly basis over the life of the print directory or electronic directory advertising commencing with the delivery or display date, respectively. Amounts billed in advance for directory advertising are deferred and recognized over the corresponding life of the directory.

Property registration

Land and personal property registry revenues are recognized when services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Revenue recognition (continued)

Property and casualty insurance

Premiums written are taken into revenue over the terms of the related policies which are no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Gaming

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and the payouts by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

Investment revenue

Interest earned on investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. In cases where collectability of interest is not reasonably assured, interest revenue is recorded when it is received and accrued interest receivable is offset by deferred interest revenue.

Other

Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants, and clients.

r) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated using the rate of exchange in effect on the balance sheet date. Revenues, expenses, and non-monetary items resulting from transactions in foreign currencies are translated into Canadian dollars at rates in effect at the transaction date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of operations and retained earnings in the current year.

s) Financial instruments

The Corporation classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities.

All financial instruments are measured at fair value on initial recognition. Financial assets and liabilities are offset and the net amount reported on the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments in which case the transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Financial instruments (continued)

Held-for-trading

Financial assets and financial liabilities that are designated as held-for-trading or purchased and incurred with the intention of generating profits in the near term, and are part of a portfolio of financial instruments that are managed together where there is evidence of a recent actual pattern of short-term profit taking are classified as held-for-trading. The Corporation classifies cash and cash equivalents, restricted cash and cash equivalents, derivative financial assets and liabilities that do not qualify as a hedge and are not designated as a hedge, sinking funds, investments carried at fair value as disclosed in Note 4, and bank indebtedness as held-for-trading. Subsequent to initial recognition, held-for-trading financial instruments are measured at fair value with revaluation gains and losses included in net earnings in the year in which the gains and losses arise.

Available-for-sale

The Corporation classifies certain investments as available-for-sale as disclosed in Note 4.

In cases where financial assets are classified as available-for-sale and carried at fair value, revaluation gains and losses related to changes in fair value are recorded in other comprehensive income until the asset is disposed of, at which time those gains and losses are recognized in net earnings.

Investments that are classified as available-for-sale and do not have an active market value are recorded at cost. Available-for-sale investments carried at cost are written down to fair value through net earnings whenever it is necessary to reflect other than temporary impairment. Gains and losses realized on disposal of cost-based available-for-sale securities, as calculated on an average cost basis, are recognized in net earnings.

Held-to-maturity

Financial assets classified as held-to-maturity have fixed or determinable payments, a fixed maturity, and the Corporation has the positive intention and ability to hold to maturity. The Corporation classifies certain investments as held-to-maturity as disclosed in Note 4. These financial assets are accounted for at amortized cost using the effective interest method. Amortized premiums or discounts and other than temporary losses due to impairment are included in net earnings.

Loans and receivables

The Corporation classifies accounts receivable, and loans and notes receivable investments as disclosed in Note 4, as loans and receivables. These financial assets are accounted for at amortized cost using the effective interest method.

Other liabilities

The Corporation classifies accounts payable and accrued liabilities, notes payable and long-term debt as other liabilities. These financial liabilities are accounted for at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Financial instruments (continued)

Derivatives and hedge accounting

Derivative financial instruments purchased and sold, where the contract requires delivery within an established time frame, are recognized as financial assets or financial liabilities on a trade-date basis.

At the inception of a hedging relationship, the Corporation documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. The Corporation also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risk in the fair values or cash flows of the hedged items.

Fair value hedges

When derivatives are designated as hedges, the Corporation classifies the hedges as:

(i) hedges of the change in fair value of recognized assets or liabilities or firm commitments (fair value hedges);
(ii) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge); or
(iii) hedges of net investments in a foreign operation (net investment hedges).

Certain of the Corporation's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed rate long-term financial instruments due to movements in market interest rates.

Changes in the fair value of derivatives that are designated as fair value hedging instruments are recorded in the consolidated statement of operations and retained earnings, along with changes in the fair value of the assets, liabilities or groups thereof that are attributable to the hedged risk. Any gains or losses in fair value relating to the ineffective portion of the hedging relationship are recognized immediately in the consolidated statement of operations and retained earnings.

If a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortized to the consolidated statement of operations and retained earnings based on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognized in which case it is recognized in the consolidated statement of operations and retained earnings immediately.

Cash flow hedges

The Corporation is exposed to future interest expense cash flows on non-trading liabilities that bear interest at variable rates, and natural gas price cash flows on inputs consumed in their operations. The amounts and timing of future cash flows, representing interest expense and input costs, are projected for each portfolio of financial liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments.

The Corporation uses hedge accounting for interest rate swaps used to hedge long-term debt and foreign currency forward contracts used to hedge capital expenditures denominated in a foreign currency and sales and purchases denominated in a foreign currency. Interest rate swaps and foreign currency forward contracts are designated as cash flow hedges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Financial instruments (continued)

Cash flow hedges (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the consolidated statement of operations and retained earnings. Amounts accumulated in other comprehensive income are reclassified to the consolidated statement of operations and retained earnings in the year in which the hedged item is recognized.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedging instrument is recognized in the consolidated statement of operations and retained earnings.

Also, when an anticipated transaction is no longer probable, any cumulative gain or loss in other comprehensive income is recognized in the consolidated statement of operations and retained earnings.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of operations and retained earnings. Gains and losses accumulated in other comprehensive income are included in the consolidated statement of operations and retained earnings upon the repatriation or disposal of the investments in the foreign operation.

Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when: economic characteristics and risks are not clearly and closely related to those of the host instrument; when the embedded derivative has the same terms as those of a stand-alone derivative and; the combined contract is not held-for-trading or designated at fair value. Embedded derivatives are measured at fair value with subsequent changes recognized in the consolidated statement of operations and retained earnings.

The Corporation utilizes natural gas sales contracts with embedded derivatives for non-regulated contract sales to large end-use customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Employee future benefits

The Corporation has three defined benefit pension plans, a defined contribution pension plan, and other plans that provide retirement benefits for its employees. For its defined benefit plans, the Corporation has adopted the following policies:

i) For the purpose of calculating the expected return on plan assets, those assets are valued at fair value, which approximates market value.
ii) Pension obligations are determined by independent actuaries using the projected benefit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.
iii) The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.
iv) Past service costs from plan amendments are amortized over the average remaining service life of the employees in the plan.
v) The excess of the net actuarial gain (loss) over 10.0 per cent of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over a period of time which is a blending of the expected average remaining service life of the active members and the future life expectancy of the pensioners, or the plan assets are amortized over the remaining life of retired members of the plan.
vi) When the restructuring of a benefit plan results in a settlement and a curtailment of obligations, the curtailment is accounted for prior to the settlement.

The Corporation also provides defined benefit service recognition plans for employees. The cost of the plan is determined using the projected benefit method prorated on service. The Corporation has a retiring allowance plan. The cost of future retirement allowance benefits earned by employees under this plan is actuarially determined using the projected benefit method and management's best estimates.

u) Measurement uncertainty

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets, capitalization of interest, disposal of long-lived assets, asset retirement obligations, and labour and overhead; provision for unpaid claims; the carrying amounts of accounts receivable, inventory, investments, natural gas in storage, goodwill, and intangible assets; the accounting for variable interest entities, discontinued operations, fair value of financial instruments, and environmental remediation liabilities; and the carrying amounts of employee future benefits including underlying actuarial assumptions.

The financial statements are based on management's best estimates using information available. Accordingly, the inherent uncertainty involved in making estimates and assumptions may impact the actual results reported in future periods by a material amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook, which requires Government Business Enterprises (GBE's) to adopt IFRS and Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. CIC is publicly accountable and has therefore selected IFRS as its accounting platform.

CIC and its subsidiaries, are finalizing their IFRS financial statement disclosures. Selection of accounting policies has been finalized and approved by the CIC Board. CIC is in the final stages of determining the impact of IFRS on processes, systems, internal controls over financial reporting and disclosures, and future financial position and results of operations. IFRS financial statement presentation formats are being finalized and reviewed by the external auditor. As part of the IFRS implementation, CIC has made changes to certain processes and systems to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes. The aspects of IFRS that have the most significant impact to CIC are accounting for property, plant and equipment, employee future benefits, revenue recognition, impairment testing, and financial statement disclosures.

3. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents at December 31, 2010 was $175.3 million (2009 - $81.0 million) in short-term investments with a weighted average interest rate of 1.03 per cent (2009 - 0.27 per cent).

4. INVESTMENTS

(thousands of dollars)	2010	2009
Short-Term Investments		
Held-for-trading	$ 154,698	$ 452,019
Sinking funds - Held-for-trading (a)	-	19,921
Available-for-sale	55,915	29,114
	$ 210,613	$ 501,054
Equity Investments		
ML OSB Limited Partnership (b)	$ 23,695	$ 24,620
MRM Cogeneration Station (c)	33,794	32,259
Other share investments - Equity basis	45,929	52,025
	103,418	108,904
Portfolio Investments		
Share investments - Held-for-trading	14,358	16,111
Share investments - Available-for-sale	188,000	214,346
Share investments - Available-for-sale - cost	18,438	25,071
	220,796	255,528
Bonds, Debentures, Loans and Notes Receivable		
Bonds and debentures - Held-to-maturity	-	2,159
Bonds and debentures - Held-for-trading	7,947	7,546
Bonds and debentures - Available-for-sale	354,081	382,946
Loans and notes receivable	23,180	41,253
	385,208	433,904
Leases Receivable	2,924	3,234
Sinking Funds - Held-for-trading (a)	419,665	354,232
Other - Held-for-trading	1,265	1,265
	$ 1,133,276	$ 1,157,067

a) The changes in the carrying amount of sinking funds are as follows:

(thousands of dollars)	2010	2009
Sinking funds, beginning of year	$ 374,153	$ 323,836
Net installments	14,732	36,986
Earnings	27,640	16,781
Valuation adjustment	3,140	(3,450)
Sinking funds, end of year	419,665	374,153
Less current portion	-	(19,921)
	$ 419,665	$ 354,232

4. INVESTMENTS (continued)

Sinking fund installments due in each of the next five years are as follows:

(thousands of dollars)	
2011	$ 40,416
2012	40,416
2013	39,916
2014	38,444
2015	37,920

b) The Corporation is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. The Corporation holds a 25.0 per cent voting interest in ML OSB (2009 - 25.0 per cent).

The Corporation has issued 8,127,780 options to certain parties to purchase its units of ML OSB. These options expire on December 19, 2011.

c) The Corporation has a 30.0 per cent (2009 - 30.0 per cent) voting interest in the MRM Cogeneration Station. The 172 megawatt natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

d) The Corporation holds one Class B share of Cameco Corporation (Cameco) which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

e) Included in investment revenue are earnings (losses) from equity investments as follows:

(thousands of dollars)	2010	2009
MRM Cogeneration Station	$ 5,724	$ 6,351
ML OSB Limited Partnership	(925)	(3,080)
Other	948	(64)
	$ 5,747	$ 3,207

5. RESTRICTED CASH AND CASH EQUIVALENTS

The Corporation held the following cash and cash equivalents restricted for use:

(thousands of dollars)	2010		2009	
	Current	Non-Current	Current	Non-Current
Carbon capture and storage initiatives (a)	$ 100,240	$ -	$ 63,448	$ 146,693
Meadow Lake Pulp Limited Partnership (b)	22,059	20,000	21,250	20,000
Immigrant investor funds (c)	6,518	-		-
Centennial Foods Partnership (d)	313	-	313	-
	$ 129,130	$ 20,000	$ 85,011	$ 166,693

5. RESTRICTED CASH AND CASH EQUIVALENTS (continued)

a) Amounts reflect unspent funding transferred to the Corporation in 2008 from the GRF restricted for carbon capture and storage initiatives.

b) Cash held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to the order of the Court of Queen's Bench of Saskatchewan.

c) Immigrant investor funds are provided through the Government of Canada's Immigrant Investor Program (IIP). The funds are restricted for use in Saskatchewan's Headstart on a Home Program.

d) Cash held in escrow related to the sale of Centennial Foods Partnership in 2007.

6. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to market risk (power generation, natural gas sales, equity prices, sinking funds, foreign exchange rates and interest rates), credit risk and liquidity risks. The Corporation utilizes a number of financial instruments to manage market risk. The Corporation mitigates risk through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

(thousands of dollars)		2010		2009	
Financial Instruments	Classification (i)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	HFT	$ 405,815	$ 405,815	$ 345,853	$ 345,853
Accounts receivable	LAR	565,608	565,608	569,457	569,457
Derivative financial assets	HFT	79,124	79,124	51,827	51,827
Restricted cash and cash equivalents	HFT	149,130	149,130	251,704	251,704
Investments - amortized cost	HTM	-	-	2,159	2,245
Investments - sinking funds - fair value	HFT	419,665	419,665	374,153	374,153
Investments - fair value	HFT	178,268	178,268	476,941	476,941
Investments - cost	AFS	18,438	(ii)	25,071	(ii)
Investments - fair value	AFS	597,996	597,996	626,406	626,406
Investments - loans	LAR	23,180	(ii)	41,253	(ii)
Financial Liabilities					
Bank indebtedness	HFT	8,750	8,750	12,606	12,606
Accounts payable and accrued liabilities	OL	595,477	595,477	579,333	579,333
Derivative financial liabilities	HFT	113,764	113,764	66,664	66,664
Notes payable	OL	472,851	472,968	423,725	423,725
Long-term debt	OL	4,050,133	4,935,403	3,782,158	4,441,953

6. FINANCIAL RISK MANAGEMENT (continued)

(thousands of dollars) Derivative Instruments	Classification (i)	2010 Asset	2010 (Liability)	2009 Asset	2009 (Liability)
Physical natural gas contracts	HFT	$ 14,604	$ (11,841)	$ 15,357	$ (8,391)
Natural gas price swaps	HFT	63,926	(98,352)	36,470	(58,167)
Electricity contracts for differences	HFT	594	(3,565)	-	-
Interest rate swaps	HFT	-	(6)	-	(43)
Foreign exchange contracts	HFT	-	-	-	(63)
		$ 79,124	$ (113,764)	$ 51,827	$ (66,664)

(i) Classification details are:

HFT - held-for-trading	AFS - available-for-sale
LAR - loans and receivables	OL - other liabilities

(ii) The uncertainty and potentially broad range of fair values for Investments - cost (available-for-sale) and Investments - loans (loans and receivables), renders the disclosure of a fair value with appropriate reliability impractical.

a) Fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation:

Level 1 - Quoted prices are readily available from an active market.
Level 2 - Inputs, other than quoted prices included in level 1, that are observable either directly or indirectly.
Level 3 - Inputs are not based on observable market data.

The Corporations financial instruments are categorized within this hierarchy as follows:

(thousands of dollars)	2010 Level 1	2010 Level 2	2010 Level 3	2010 Total
Cash and cash equivalents	$ 405,815	$ -	$ -	$ 405,815
Restricted cash and cash equivalents	149,130	-	-	149,130
Bank indebtedness	8,750	-	-	8,750
Notes payable	472,968	-	-	472,968
Investments carried at fair value	729,899	448,422	17,608	1,195,929
Long-term debt	-	4,935,403	-	4,935,403
Physical natural gas contracts - net	-	2,763	-	2,763
Natural gas price swaps - net	-	(34,426)	-	(34,426)
Electrical contracts for differences - net	-	(2,971)	-	(2,971)
Interest rate swaps	-	(6)	-	(6)

6. FINANCIAL RISK MANAGEMENT (continued)

(thousands of dollars)		2009		
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 345,843	$ -	$ -	$ 345,843
Restricted cash and cash equivalents	251,704	-	-	251,704
Bank indebtedness	12,606	-	-	12,606
Notes payable	423,725	-	-	423,725
Investments carried at fair value	1,055,358	400,680	21,462	1,477,500
Long-term debt	-	4,441,953	-	4,441,953
Physical natural gas contracts - net	-	6,966	-	6,966
Natural gas price swaps - net	-	(21,697)	-	(21,697)
Interest rate swaps	-	(43)	-	(43)
Foreign exchange contracts	-	(63)	-	(63)

a) Fair value hierarchy (continued)

Changes in Level 3 investments carried at fair value are as follows:

(thousands of dollars)	2010
Balance, beginning of year	$ 21,462
Unrealized gains attributable to assets held at the end of the year	885
Purchases	4,994
Sales	(4,916)
Settlements	(6,725)
Other	3,478
Transfers out of level 3	(1,570)
Balance, end of year	**$ 17,608**

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Derivative financial assets and liabilities

The fair value of electricity related derivatives, interest rate swaps, foreign exchange contracts, physical natural gas contracts and natural gas price swaps is based on quoted market values. The fair value of natural gas price options is determined using the Garman-Kohlhagen model which requires the use of various assumptions, including quoted market values, interest rates and volatility estimates for forward natural gas prices that are based on external market sources. Where contract prices are referenced to an index price that has not been fixed, the market price has been used to estimate the contract price.

Other financial assets and liabilities

Other financial assets and liabilities including: accounts receivable and accounts payable and accrued liabilities have not been classified in the fair value hierarchy given that carrying value approximates fair value due to their immediate or short-term maturity.

6. FINANCIAL RISK MANAGEMENT (continued)

b) Unrealized (losses) gains on financial instruments

Depending on the nature of the derivative instrument and market conditions, the change in fair value of derivative financial assets and derivative financial liabilities is recorded in net earnings as either sales of products and services or operating costs. The impact of unrealized (losses) gains on net earnings is as follows:

(thousands of dollars)	2010	2009
Sales of products and services	$ 30,397	$ 7,194
Operating costs	(49,977)	33,741
(Decrease) increase in net earnings	$ (19,580)	$ 40,935

c) Market risk

Power generation

The Corporation is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at December 31, 2010, the Corporation had entered into financial and physical natural gas contracts to price manage approximately 49.0 per cent of its forecasted natural gas purchases for 2011, 42.0 per cent for 2012, 11.0 per cent for 2013, 10.0 per cent for 2014 and 2.0 per cent for 2015.

Based on the Corporation's December 31, 2010 closing positions on its financial natural gas hedges, a $1 dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $20.0 million improvement in unrealized market value losses recognized in net earnings in the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as of December 31, 2010.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions including Value at Risk (VaR) limits. VaR is the most commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specific period of time. At December 31, 2010, the VaR associated with electricity trading activities was $2.0 million.

Natural gas sales

The Corporation may manage the risk associated with the purchase and sale price of natural gas. The purchase or sale price of natural gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation may use for price risk management include natural gas price swaps, options, swaptions and futures contracts. Based on the Corporation's December 31, 2010 closing positions, an increase of $1 per GJ in natural gas prices would have increased net earnings through an increase in the fair value of natural gas contracts, by $28.8 million (2009 - $0.6 million). Conversely, a decrease of $1 per GJ would have decreased net earnings, through a decrease in the fair value of natural gas contracts, by $28.8 million (2009 - $0.6 million).

6. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

Equity price risk

Equity price risk represents the potential for loss from changes in the value of equity investments.

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE (Europe, Australia and Far East) markets. The fair value of these equities at December 31, 2010 was $155.3 million (2009 - $142.5 million).

The Corporation's equity price risk is assessed using VaR to measure the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95.0 per cent confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95.0 per cent of the time (19 times out of 20 years):

(thousands of dollars)			2010			2009
Asset Class						
Canadian pooled equity fund and Canadian common shares	+/-	$	36,613	+/-	$	32,877
U.S. pooled equity fund and U.S. common shares	+/-		8,054	+/-		7,542
Non-North American pooled equity fund	+/-		11,128	+/-		9,147

Sinking funds

The Corporation has on deposit with the GRF, under the administration of the Ministry of Finance, $419.7 million (2009 - $374.2 million) in sinking funds required for certain long-term debt issues. At December 31, 2010, the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments is considered low. The Corporation does not believe that the impact of fluctuations in market prices related to these investments will be material and, therefore, has not provided a sensitivity analysis of the impact on net earnings or other comprehensive income.

Interest rate risk

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place, other than those listed, to offset interest rate risk as of December 31, 2010. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net earnings as substantially all of the Corporation's debt is at fixed rates at December 31, 2010.

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds, debentures, and loans and notes receivable investments. It is estimated that a 100 basis point increase or decrease in interest rates would decrease or increase other comprehensive income and accumulated other comprehensive income (loss) by $12.8 million at December 31, 2010 (2009 - $19.7 million).

6. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

Foreign currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments. The Corporation does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Corporation does not have material concentrations of credit risk given that the majority of accounts receivable are diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains credit policies and limits in respect to short-term investments, bonds, debentures, loans, notes receivable, leases receivable and counterparties to derivative instruments.

The carrying amount of financial assets represents the maximum credit exposure as follows:

(thousands of dollars)	2010	2009
Cash and cash equivalents	$ 405,815	$ 345,853
Short-term investments	210,613	501,054
Accounts receivable	565,608	569,457
Derivative financial assets	79,124	51,827
Restricted cash and cash equivalents	149,130	251,704
Investments - held-to-maturity	-	2,159
Investments - held-for-trading	443,235	379,154
Investments - available-for-sale	560,519	622,363
Investments - loans and receivables	23,180	41,253
Leases receivable	2,924	3,234
	$ 2,440,148	$ 2,768,058

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed quarterly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

6. FINANCIAL RISK MANAGEMENT (continued)

d) Credit risk (continued)

The allowance for doubtful accounts and the aging of accounts receivable are detailed as follows:

(thousands of dollars)		2010		2009
Allowance for Doubtful Accounts				
Opening balance	$	12,780	$	19,976
Less: accounts written-off and other		(20,969)		(23,857)
Recoveries		7,338		7,526
Provision for losses		11,715		9,135
Ending balance	$	10,864	$	12,780
Accounts Receivable				
Current	$	459,298	$	436,456
30-59 Days		31,493		27,932
60-90 Days		68,071		95,409
Greater than 90 Days		17,610		22,440
Gross accounts receivable		576,472		582,237
Allowance for doubtful accounts		(10,864)		(12,780)
Net accounts receivable	$	565,608	$	569,457

e) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation, through its diversified holdings and capital allocation and dividend policies, can allocate resources to ensure that all financial commitments made are met.

Where necessary the Corporation can borrow funds from the GRF, adjust dividend rates, obtain or make grants, or be provided with or provide equity injections to solve any liquidity issues.

The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2010:

(thousands of dollars)			Contractual Cash Flows				
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Long-term debt (i)	$ 4,050,133	$ 8,222,420	$ 80,409	$ 140,105	$ 305,300	$ 999,912	$ 6,696,694
Accounts payable and accrued liabilities	595,477	595,477	578,579	16,898	-	-	-
Derivative financial liabilities	113,764	165,535	123,469	42,066	-	-	-
Other liabilities (ii)	823,237	823,324	588,891	42,673	46,345	79,542	65,873
	$ 5,582,611	$ 9,806,756	$ 1,371,348	$ 241,742	$ 351,645	$ 1,079,454	$ 6,762,567

6. FINANCIAL RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

The Corporation anticipates generating sufficient cash flows through operations or credit facilities to support these contractual cash flows.

The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2009:

(thousands of dollars)			Contractual Cash Flows				
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Long-term debt (i)	$ 3,782,158	$ 7,844,144	$ 77,989	$ 295,956	$ 250,546	$ 950,274	$ 6,269,379
Accounts payable and accrued liabilities	579,333	579,333	573,937	5,396	-	-	-
Derivative financial liabilities	66,664	197,388	140,721	56,667	-	-	-
Other liabilities (ii)	751,958	751,974	534,385	41,999	45,157	74,397	56,036
	$ 5,180,113	$ 9,372,839	$ 1,327,032	$ 400,018	$ 295,703	$ 1,024,671	$ 6,325,415

i) Contractual cash flows for long-term debt include principal and interest payments but exclude sinking fund installments.

ii) Other liabilities include bank indebtedness, notes payable, and provision for unpaid insurance claims.

7. INVENTORIES

(thousands of dollars)	2010	2009
Raw materials	$ 144,174	$ 146,455
Natural gas in storage held for resale	246,733	258,497
Finished goods	5,438	7,249
Work-in-progress	1,198	1,644
	$ 397,543	$ 413,845

For the year ended December 31, 2010, $519.1 million (2009 - $694.9 million) of natural gas in storage held for resale and $428.9 million (2009 - $484.3 million) of raw materials and other inventory were consumed. The Corporation incurred a $20.6 million (2009 - $Nil) write-down of natural gas in storage held for resale and a $4.6 million (2009 - $3.3 million) write-down of raw materials and other inventory to its net realizable value. There was no reversal of any prior period write-down during 2010 or 2009.

8. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Hospitality Network Canada, Inc. (Hospitality Network) and Saskatoon 2 Properties Limited Partnership (Saskatoon Square)

During 2010, the Corporation approved plans whereby the operations of its wholly owned subsidiary, Hospitality Network, and its 70.0 per cent interest in Saskatoon Square will be divested. As a result, the Corporation has classified the operating results of these entities as discontinued operations in 2010.

DirectWest Canada Inc.

During 2009, the Corporation disposed of the directory operations of DirectWest Canada Inc. for consideration of $4.7 million in the form of cash of $0.5 million, a short-term promissory note of $0.5 million and preferred shares of $3.7 million, resulting in a net loss of $0.4 million.

As a result, the Corporation reported the operations of DirectWest Canada Inc. as a discontinued operation for 2009.

Big Sky Farms Inc. (Big Sky)

During 2009, certain assets identified within the operations of Big Sky were classified as held for sale resulting in a loss in 2009 of $0.3 million.

Heritage Gas Limited (Heritage Gas)

The Corporation sold its 50.1 per cent interest in Heritage Gas effective October 1, 2009 to AltaGas Utility Holdings (Nova Scotia) Inc. of Calgary, Alberta. The transaction, which closed on November 18, 2009, had proceeds of $73.3 million with a resulting gain on sale in 2009 of $8.4 million.

As a result, the Corporation reported the operations of Heritage Gas as a discontinued operation in 2009.

Assets held for disposal relating to discontinued operations are comprised of the following:

(thousands of dollars)	2010	2009
Cash	$ 6,402	$ 6,409
Accounts receivable	2,352	2,087
Inventory	441	326
	9,195	8,822
Property, plant and equipment	23,599	23,117
Intangible assets	3,441	3,977
Goodwill	11,838	11,838
	38,878	38,932
	$ 48,073	$ 47,754

8. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (continued)

Obligations held for disposal relating to discontinued operations are comprised of the following:

(thousands of dollars)		2010		2009
Accounts payable and accrued liabilities	$	1,712	$	2,368
Current portion of long-term debt		313		294
Other liabilities		12		12
		2,037		2,674
Long-term debt		5,607		5,909
	$	7,644	$	8,583

The impact of discontinued operations on consolidated earnings is comprised of the following:

(thousands of dollars)		2010		2009
Revenue	$	34,432	$	48,530
Expenses		(30,305)		(41,155)
		4,127		7,375
Gain on sale of discontinued operations		-		7,731
Gain from discontinued operations	$	4,127	$	15,106

9. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)		Cost		2010 Accumulated Depreciation		Net Book Value		2009 Net Book Value
Machinery and equipment	$	10,972,661	$	5,592,019	$	5,380,642	$	4,980,787
Buildings and improvements		1,676,097		770,318		905,779		787,739
Assets under construction		467,362		-		467,362		513,948
Land, coal properties and rights		219,278		76,211		143,067		134,977
	$	13,335,398	$	6,438,548	$	6,896,850	$	6,417,451

10. INTANGIBLE ASSETS

(thousands of dollars)		2010		2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Definite life:				
Software	$ 402,818	$ 300,216	$ 102,602	$ 102,371
Customer accounts acquired	58,612	33,287	25,325	26,200
Indefinite life (a)	65,981	-	65,981	65,981
	$ 527,411	$ 333,503	$ 193,908	$ 194,552

During the year, the Corporation acquired $26.6 million (2009 - $49.2 million) and developed $9.2 million (2009 - $5.1 million) of intangible assets.

(a) Indefinite life intangible assets consist of advanced wireless service and personal communications service spectrum within the Province of Saskatchewan acquired in 2008.

11. OTHER ASSETS

(thousands of dollars)	2010	2009
Accrued pension asset (Note 26)	$ 134,080	$ 117,607
Natural gas in storage	33,208	34,040
Deferred supply agreements	9,065	10,878
Goodwill	6,457	6,557
Other assets	10,700	13,359
	$ 193,510	$ 182,441

12. NOTES PAYABLE

Notes payable are due to the GRF. These notes are due on demand and have an effective interest rate of 1.07 per cent (2009 - 0.26 per cent).

13. LONG-TERM DEBT

(thousands of dollars)	2010		2009	
	Principal Outstanding	Effective Interest Rate	Principal Outstanding	Effective Interest Rate
Years to Maturity				
A. General Revenue Fund				
1 - 5 years	$ 324,102	5.34	$ 441,695	5.74
6 - 10 years	651,174	6.64	259,119	4.44
11 - 15 years	725,120	9.04	787,789	9.66
16 - 20 years	169,000	5.62	336,700	7.31
21 - 25 years	860,000	5.93	660,000	6.06
26 - 30 years	1,186,684	4.74	1,098,684	4.93
31 plus years	-	-	75,000	5.19
Total due to GRF	3,916,080		3,658,987	
B. Other Long-Term Debt (a) (due 2011 to 2026)	104,658	7.55	107,798	7.91
	4,020,738		3,766,785	
Unamortized debt premium	29,395		15,373	
	4,050,133		3,782,158	
Due within one year	(20,212)		(180,540)	
Total long-term debt	$ 4,029,921		$ 3,601,618	

a) Included in other long-term debt is $6.5 million (2009 - $Nil) owing to the Government of Canada Immigrant Investor Program as described in Note 5(c). Repayment is due five years from the date received including interest at an effective interest rate of 1.47 per cent.

b) Principal repayments due in each of the next five years are as follows:

(thousands of dollars)	
2011	$ 20,212
2012	57,194
2013	158,656
2014	62,950
2015	72,172

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1.0 per cent to 3.0 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF.

14. OTHER LIABILITIES

(thousands of dollars)	2010	2009
Deferred funding from the GRF (Note 5(a))	$ -	$ 146,693
Provision for unpaid insurance claims	191,760	175,581
Environmental remediation liabilities (a)	145,153	144,027
Asset retirement obligation (b)	102,815	91,254
Management supplemental pension plans	38,777	39,523
Accrued pension liability (Note 26)	18,179	-
Deferred revenue	10,147	16,510
Non-controlling interest	9,144	9,683
Other liabilities	37,707	29,354
	$ 553,682	$ 652,625

a) Provision for environmental remediation liabilities

The following are included in the provision for environmental remediation liabilities:

i) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. The Corporation accrued $1.2 million in 2010 (2009 - $1.2 million) for a total of $28.0 million (2009 - $26.8 million), to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company (PAPCO) and the Province of Saskatchewan for environmental remediation liabilities predating 1986 related to the Prince Albert pulp mill site no longer owned by the Corporation.

ii) The Corporation accrued $2.8 million in 2010 (2009 - $2.5 million) for a total of $65.4 million (2009 - $62.6 million), to carry out the clean-up activities related to an indemnity provided by PAPCO and the Province of Saskatchewan for environmental remediation liabilities predating 1986 relating to the ERCO Worldwide chemical plant.

iii) In 2009, the Corporation hired an external consultant to review environmental remediation liabilities on its power generation assets. As a result of this review, the Corporation reduced its estimate for environmental remediation liabilities for its power generation assets by $4.2 million in 2009.

b) Asset retirement obligation

The Corporation has estimated the future cost of decommissioning certain electric and natural gas facilities. For purposes of estimating the fair value of these obligations, it is assumed that these costs will be incurred between 2011 and 2022 for natural gas facilities and 2011 and 2043 for electric facilities. The undiscounted cash flows required to settle the obligations total $266.4 million (2009 - $263.4 million). Credit adjusted risk free rates between 3.2 per cent and 6.4 per cent were used to calculate the discounted carrying value of the obligation. No funds have been set aside by the Corporation to settle this liability.

14. OTHER LIABILITIES (continued)

b) Asset retirement obligation (continued)

In 2010, the Corporation revised its estimated timing for the removal and disposal of electric equipment containing PCBs in excess of current environmental laws and regulations. The change in estimate was applied prospectively, effective June 30, 2010. This resulted in a $4.0 million increase in property, plant and equipment and other liabilities with a $1.7 million impact on depreciation and amortization expense in 2010. In addition, effective December 31, 2010, the Corporation established an asset retirement obligation for the Yellowhead Power Station which was commissioned in December, 2010. The Corporation also increased the provision for decommissioning the Cory Cogeneration Station and its diesel sites based on revised estimates. This resulted in a $3.2 million increase to property, plant and equipment and other liabilities with no impact on depreciation and amortization expense in 2010.

A reconciliation between the opening and closing asset retirement obligations balance is provided below:

(thousands of dollars)		2010		2009
Asset retirement obligation, beginning of year	$	91,254	$	61,305
Liabilities incurred		7,162		28,334
Liabilities removed		(106)		(1,553)
Accretion expense		4,505		3,168
Asset retirement obligation, end of year	$	102,815	$	91,254

15. EQUITY ADVANCES AND CAPITAL DISCLOSURES

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF. During 2010, the Corporation repaid $120.0 million (2009 - $Nil) in equity advances to the GRF.

Due to its ownership structure, the Corporation has no access to capital markets for internal equity. Equity advances in the Corporation are determined by the shareholder on an annual basis. Dividends to the GRF are determined through the Saskatchewan provincial budget process on an annual basis.

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the year.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the Board of Directors. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the Corporation. The target ratio for 2010 was 55.9 per cent (2009 - 47.5 per cent).

The Corporation raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

15. EQUITY ADVANCES AND CAPITAL DISCLOSURES (continued)

The Corporation made no changes to its approach to capital management during the year.

The debt ratio is as follows:

(thousands of dollars)	2010	2009
Total debt (a)	$ 4,522,984	$ 4,205,883
Less: Sinking funds (Note 4(a))	(419,665)	(374,153)
Net debt	4,103,319	3,831,730
Equity (b)	4,032,309	4,228,502
Capitalization	$ 8,135,628	$ 8,060,232
Debt ratio	50.4%	47.5%

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

b) Equity includes equity advances, contributed surplus and retained earnings.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(thousands of dollars)	2010	2009
Foreign currency translation adjustments	$ (3,909)	$ (3,257)
Unrealized gains on available-for-sale financial assets	27,678	27,199
Unrealized losses on interest rate swaps	(525)	(874)
	$ 23,244	$ 23,068

17. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 2010:

a) The Corporation has committed to provide $73.5 million (2009 - $76.4 million) in loans and equity for investment in Saskatchewan business.

b) The Corporation has a $5.0 million (2009 - $5.0 million) U.S. dollar guarantee related to certain obligations to its equity investment in Gas Sur S.A., established under provisions of the shareholders' agreement.

c) The Corporation has entered into power purchase agreements that provide approximately 469 megawatts (MW) of generating capacity. The Corporation also recently negotiated three power purchase agreements for the Red Lily Wind Power LP wind facility; Spy Hill Power LP natural gas generating facility; and the North Battleford Power LP natural gas generating facility. The Red Lily and Spy Hill facilities are expected to become operational in 2011 with generating capacities of 27 MW and 86 MW, respectively. The North Battleford facility with a generating capacity of 261 MW will become operational in 2013. The total cost of all power purchase agreements is expected to be $11,691.8 million (2009 - $7,502.5 million) until 2036.

17. COMMITMENTS AND CONTINGENCIES (continued)

d) At 2010 prices, the Corporation has forward commitments of $1,180.6 million (2009 - $1,288.9 million) extending until 2024 for future minimum coal deliveries.

e) As at December 31, 2010, the Corporation has committed to spend $1,244.4 million (2009 - $995.1 million) on capital projects.

f) The Corporation has issued letters of credit in the amount of $25.9 million (2009 - $57.0 million).

g) The Corporation has entered into contracts to purchase natural gas expected to cost $234.9 million (2009 - $223.2 million) based on forward market prices until 2015.

h) The Corporation has guaranteed $20.9 million (2009 - $12.2 million) of energy savings to various customers. These guarantees are mitigated by third party guarantees to the Corporation.

i) As at December 31, 2010, the Corporation has committed to future electricity sales of $15.8 million (2009 - $Nil) and future electricity and transmission purchases of $50.6 million (2009 - $3.4 million).

j) Subject to certain conditions, the Corporation has agreed to make annual payments of $2.6 million to the Regina Exhibition Association until 2027 and $0.4 million to the Moose Jaw Exhibition Company Ltd. until 2028, as compensation for the loss of gaming income caused by the operation of Casino Regina and Casino Moose Jaw respectively.

k) The Corporation has outstanding service contract commitments of $260.1 million (2009 - $99.6 million) extending to 2014.

l) On August 9, 2004, a proceeding under *The Class Actions Act (Saskatchewan)* was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only. The appeal from this decision by the Corporation, together with all other defendants, was heard by the Court of Appeal on December 13 and 14, 2010 and a decision was reserved by the Court. The Corporation awaits receipt of the decision of the Court of Appeal. On July 24, 2009, a second proceeding under *The Class Actions Act (Saskatchewan)* was issued against several Canadian wireless and cellular providers, including the Corporation. The Corporation believes this second action involves substantially the same allegations as the 2004 claim and on December 23, 2009 the second action was conditionally stayed as an abuse of process by the Court of Queen's Bench. The Plaintiffs have applied to obtain leave of the Court of Appeal to appeal the stay of the second action. The Plaintiff's application to obtain leave is adjourned indefinitely on the condition that it cannot be dealt with until after the Court of Appeal has issued its decision in the 2004 claim. The Corporation continues to believe that is has strong defences to the allegations and that legal errors were made by the Court in the certification proceeding of the 2004 claim and that it has strong defences to the allegations contained in the 2009 action.

17. COMMITMENTS AND CONTINGENCIES (continued)

m) On June 26th, 2008, a proceeding under *The Class Actions Act (Saskatchewan)* was brought against several Canadian wireline, wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. Thus far the claim has simply been issued by the Plaintiffs. The Corporation is not aware whether all the named defendant carriers have been served with the claim yet. The Corporation believes that it has strong defences to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. On September 27, 2010, the Corporation was advised that a case management judge has been appointed in this matter. The Corporation is not aware that any other step or action has been taken in this action.

n) The Corporation has a commitment to make contributions to the Power Corporation Superannuation Plan (the Plan) as a result of a binding court settlement from a legal action that was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Plan. The settlement required the Corporation to pay $81.3 million into the Plan in three equal installments over three years. The first two payments of $27.1 million were completed on December 15, 2009 and June 28, 2010 respectively. The final payment is due July 1, 2011.

o) The Corporation has issued a $5.0 million promissory note provided as acceptable credit support for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.

p) In April 2010, the Corporation was charged under *The Occupational Health and Safety Act (Saskatchewan)* and Regulations in relation to a natural gas explosion that occurred April 18, 2008 in Nipawin, Saskatchewan. On February 9, 2011, the Saskatchewan Ministry of Justice and Attorney General stayed the charges against the Corporation. The Corporation has also been named a defendant in a number of civil actions related to this incident. The Corporation has denied liability on all claims. The civil actions remain at an early stage but the Corporation does not expect the outcome of these civil actions to result in any material financial impact.

q) Including the above, the Corporation has various legal matters pending which, in the opinion of management, will not have a material effect on the Corporation's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

18. INTEREST EXPENSE

(thousands of dollars)	2010	2009
Interest on long-term debt	$ 245,840	$ 249,520
Foreign exchange (gains) losses	(53)	1,576
Amortization of deferred financing costs	-	460
	245,787	251,556
Less:		
Interest capitalized	(16,654)	(15,846)
Long-term debt interest expense	229,133	235,710
Short-term debt interest expense	2,519	2,329
	$ 231,652	$ 238,039

Interest paid during the year, on a cash basis, was $248.7 million (2009 - $248.3 million).

19. DEPRECIATION AND AMORTIZATION

(thousands of dollars)		2010		2009
Depreciation expense	$	475,060	$	464,452
Amortization of intangible assets		40,027		53,846
Accretion expense (Note 14(b))		4,505		3,168
Amortization of customer contributions		(21,932)		(18,239)
	$	497,660	$	503,227

20. SASKATCHEWAN TAXES AND FEES

(thousands of dollars)		2010		2009
Grants in lieu of taxes to municipalities	$	46,668	$	51,252
Saskatchewan capital tax		45,817		42,778
Gaming fees		21,504		25,384
Insurance premium tax		16,307		15,317
Other		6,520		2,762
	$	136,816	$	137,493

21. NON-RECURRING ITEMS

Non-recurring items include the following:

(thousands of dollars)		2010		2009
(Loss) gain on:				
Big Sky (a)	$	-	$	(17,939)
Telecommunications assets (b)		-		(9,002)
Intangible assets (c)		-		3,087
	$	-	$	(23,854)

21. NON-RECURRING ITEMS (continued)

a) On November 10, 2009, Big Sky, then a 63.0 per cent owned subsidiary of the Corporation, was granted creditor protection under *The Companies' Creditors Arrangement Act* (CCAA) in Canada. As a result, the Corporation concluded that its control over Big Sky was lost and the Corporation had no ability to exert significant influence. Accordingly, the Corporation's investment in Big Sky was no longer consolidated beginning November 10, 2009 and was accounted for as a cost basis investment at December 31, 2009. As a result, the Corporation's consolidated financial statements include Big Sky's results of operations and cash flows to November 10, 2009 and no longer include the assets, liabilities and equity of Big Sky at December 31, 2009.

Prior to de consolidation on November 10, 2009, the Corporation recognized an impairment related to Big Sky's long-lived assets based on continued low commodity prices, a strong Canadian dollar, high feed prices, and the Corporation's assessment of the future ongoing success of its hog operations. The net effect of this impairment was a reduction in the carrying value of underlying investments in equity and subordinated debt of $17.9 million. As a result, the carrying value of the Corporation's equity and subordinated debt investment in Big Sky was $Nil at December 31, 2009.

On February 12, 2010 Big Sky's creditors voted to accept the restructuring proposal as proposed by Big Sky under CCAA. As a result of the proposal and restructuring process, the Corporation's investment in Big Sky was reduced to less than 50.0 per cent of the shares of Big Sky, and the Corporation does not exercise control over the restructured company. Therefore, upon emerging from restructuring on March 22, 2010, the Corporation has recorded its investment in Big Sky according to the equity method.

b) On December 8, 2009, out of province net assets were sold for consideration of $1.3 million resulting in a loss on disposal of $9.0 million in 2009.

c) On June 29, 2009 the Corporation, through its subsidiary SecurTek Monitoring Solutions Inc. (SecurTek), exchanged regional customer accounts with an unrelated corporation. Consideration included selected regional accounts of each purchaser, valued based on industry standard valuation techniques and cash consideration of $1.3 million paid by SecurTek, resulting in a gain of $3.1 million in 2009.

22. CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of dollars)	2010	2009
Adjustments to reconcile net earnings to cash provided by operating activities		
Depreciation and amortization	$ 497,660	$ 503,227
Sinking fund earnings (Note 4(a))	(27,640)	(16,781)
Earnings from equity investments (Note 4(e))	(5,747)	(3,207)
Unrealized losses (gains) on financial instruments (Note 6(b))	19,580	(40,935)
Gain from discontinued operations (Note 8)	(4,127)	(15,106)
Provision for environmental remediation liabilities (Note 14(a))	4,020	(464)
Non-recurring items (Note 21)	-	23,854
Employer funding contributions	(43,812)	(35,774)
Defined benefit pension expense (Note 26)	45,239	27,678
Other non-cash items	6,913	(498)
	$ 492,086	$ 441,994

23. LEASES

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows:

(thousands of dollars)		
2011	$	12,123
2012		7,481
2013		6,060
2014		4,477
2015		3,703
Thereafter		6,759
	$	40,603

24. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

(millions of dollars)		**2010**		2009
Accounts receivable	$	**14.4**	$	10.1
Accounts payable and accrued liabilities		**37.9**		47.4
Deferred revenue		**9.6**		9.8
Sales of products and services		**154.0**		146.0
Operating costs		**190.0**		172.1

At December 31, 2010 the Corporation held $6.0 million (2009 - $7.8 million) in Government of Saskatchewan bonds. In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

25. JOINT VENTURES

The Corporation has joint control over the operating, investing and financing policies of Cory Cogeneration Fund Corporation, Cory Cogeneration Joint Venture, Foragen Technologies Limited Partnership, Heritage Gas Limited (Note 8), Apex Investment Limited Partnership, Kisbey Gas Gathering and Processing Facility, the Totnes Natural Gas Storage Facility and Saskatchewan Entrepreneurial Fund Joint Venture. The Corporation's pro-rata share of its interest in these joint ventures is as follows:

(thousands of dollars)	2010	2009
Current assets	$ 7,459	$ 8,147
Long-term assets	150,193	137,115
Current liabilities	8,361	9,648
Long-term liabilities	73,053	75,201
Revenue	30,365	22,651
Expenses	22,902	21,562
Net earnings	7,463	1,089
Cash provided by operating activities	4,151	14,542
Cash used in investing activities	(11,206)	(8,363)
Cash used in financing activities	(8,390)	(10,407)

26. EMPLOYEE FUTURE BENEFITS

The Corporation has three defined benefit pension plans for certain of its employees that have been closed to new membership. Separate audited financial statements for each plan are prepared and released publicly. Current service costs of this plan are charged to earnings on the basis of actuarial valuations.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. The excess of the net actuarial gain (loss) over 10.0 per cent of the greater of the accrued benefit obligation and the fair value of the SaskPower and SGI plan assets are amortized over a period of time which is a blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners. For the SaskPower plan, the service life period was calculated at 1.3 years, while for the SGI plan, it was calculated at 2.0 years. For the SaskTel defined benefit plan, the excess of the net actuarial gain (loss) over 10.0 per cent of the greater of the accrued benefit obligation and the fair value of the SaskTel plan is amortized over the average remaining life of retired members of the SaskTel plan. At SaskTel, the remaining life of retired members was calculated as a weighted average of 22.0 years. SaskPower's last valuation was at September 30, 2010. The results from the latest valuations for SaskTel and SGI are projected to December 31, 2010.

26. EMPLOYEE FUTURE BENEFITS (continued)

The major assumptions used in the valuations are as follows:

	2010		
	SaskTel	SGI	SaskPower
Economic assumptions:			
Discount rate - end of year	5.25%	4.90%	5.00%
Expected return on plan assets	6.75%	5.50%	6.75%
Inflation rate	2.50%	2.50%	2.50%
Expected salary increase	3.00%	2.50%	3.50%
Post-retirement index	100% of CPI	0% of CPI	70% of CPI
Last actuarial valuation	11/30/09	12/31/09	09/30/10

	2009		
	SaskTel	SGI	SaskPower
Economic assumptions:			
Discount rate - end of year	6.00%	5.30%	6.00%
Expected return on plan assets	6.75%	6.25%	6.75%
Inflation rate	2.50%	2.50%	2.50%
Expected salary increase	3.00%	2.50%	3.50%
Post-retirement index	100% of CPI	0% of CPI	70% of CPI
Last actuarial valuation	12/31/07	12/31/07	09/30/09

Information about the Corporation's defined benefit plans is as follows:

(thousands of dollars)	2010		
	SaskTel	SGI	SaskPower
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	$ 976,754	$ 12,322	$ 839,446
Current service cost	1,693	41	6,262
Interest cost	56,731	599	49,221
Benefits paid	(65,849)	(931)	(49,841)
Impact of change in actuarial assumptions	-	362	-
Impact of change in discount rate	81,375	-	87,421
Experience and other	-	(311)	(17,094)
Accrued benefit obligation, end of year	$ 1,050,704	$ 12,082	$ 915,415

(thousands of dollars)	2009		
	SaskTel	SGI	SaskPower
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	$ 826,770	$ 11,739	$ 804,639
Current service cost	1,789	42	7,536
Curtailment gain	(239)	-	-
Interest cost	59,669	848	49,279
Benefits paid	(65,427)	(997)	(45,981)
Impact of change in actuarial assumptions	-	(1,142)	-
Impact of change in discount rate	154,192	1,801	20,474
Experience and other	-	31	3,499
Accrued benefit obligation, end of year	$ 976,754	$ 12,322	$ 839,446

26. EMPLOYEE FUTURE BENEFITS (continued)

(thousands of dollars)		2010	
	SaskTel	SGI	SaskPower
Plan assets (liabilities)			
Fair value of plan assets, beginning of year	$ 896,306	$ 12,089	$ 677,610
Actual return on plan assets	98,401	1,006	49,543
Employee funding contributions	360	11	880
Employer funding contributions	16,450	25	54,416
Benefits paid	(65,849)	83	(49,841)
Other	-	(931)	-
Fair value of plan assets, end of year	$ 945,668	$ 12,283	$ 732,608
Funded status - plan (deficit) surplus	$ (105,036)	$ 201	$ (182,807)
Unamortized net actuarial losses	237,729	1,273	164,628
Other	-	(87)	-
Accrued pension asset (liability)	$ 132,693	$ 1,387	$ (18,179)

(thousands of dollars)		2009	
	SaskTel	SGI	SaskPower
Plan assets			
Fair value of plan assets, beginning of year	$ 844,548	$ 11,740	$ 698,415
Actual return on plan assets	108,405	1,270	23,314
Employee funding contributions	528	16	1,451
Employer funding contributions	8,252	32	411
Benefits paid	(65,427)	(997)	(45,981)
Other	-	28	-
Fair value of plan assets, end of year	$ 896,306	$ 12,089	$ 677,610
Funded status - plan deficit	$ (80,448)	$ (233)	$ (161,836)
Unamortized transitional asset	-	(1)	-
Unamortized past service cost	-	-	2,783
Unamortized net actuarial losses	188,593	1,698	139,972
Corporate contributions	-	-	27,079
Accrued pension asset	$ 108,145	$ 1,464	$ 7,998

On a combined basis, the accrued pension asset is $134.1 million (2009 - $117.6 million) (Note 11) and the accrued pension liability is $18.2 million (2009 - $Nil) (Note 14).

26. EMPLOYEE FUTURE BENEFITS (continued)

The defined benefit plan pension expense (income) is as follows:

(thousands of dollars)	2010 SaskTel	SGI	SaskPower
Current service cost - defined benefit plan	$ 1,332	$ 30	$ 5,124
Interest cost	56,731	599	49,221
Expected return on pension plan assets	(66,162)	(608)	(45,999)
Amortization of past service costs	-	-	2,783
Amortization of actuarial (gains) losses	-	(24)	42,126
Other	-	86	-
Defined benefit plan pension (income) expense	$ (8,099)	$ 83	$ 53,255

(thousands of dollars)	2009 SaskTel	SGI	SaskPower
Current service cost - defined benefit plan	$ 1,261	$ 25	$ 5,674
Interest cost	59,670	828	49,279
Expected return on pension plan assets	(66,551)	(690)	(45,654)
Amortization of net transitional asset	(3,845)	(197)	-
Amortization of past service costs	1,057	-	12,655
Amortization of actuarial (gains) losses		(22)	14,188
Defined benefit plan pension (income) expense	$ (8,408)	$ (56)	$ 36,142

On a combined basis, the defined benefit pension plan expense is $45.2 million (2009 - $27.7 million) (Note 22).

The asset allocation of the defined benefit pension plans is as follows:

	2010 SaskTel	SGI	SaskPower
Asset category			
Short-term investments	8.0%	4.0%	0.4%
Bond and debentures	25.0%	51.0%	35.0%
Equity securities - Canadian	25.5%	18.0%	19.5%
Equity securities - US	15.2%	13.0%	10.1%
Equity securities - Non-North American	17.1%	14.0%	26.7%
Real estate	9.2%	-%	8.3%

	2009 SaskTel	SGI	SaskPower
Asset category			
Short-term investments	6.9%	3.0%	0.6%
Bond and debentures	26.0%	54.0%	34.2%
Equity securities - Canadian	26.9%	18.0%	20.2%
Equity securities - US	15.3%	14.0%	10.3%
Equity securities - Non-North American	15.9%	11.0%	26.6%
Real estate	9.0%	-%	8.1%

26. EMPLOYEE FUTURE BENEFITS (continued)

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan, two defined benefit service recognition plans, a defined benefit retiring allowance plan and a voluntary early retirement plan:

(thousands of dollars)		2010		
	SaskTel	SGI	SaskPower	SaskEnergy
Accrued benefit liability	$ 15,080	$ 3,061	$ 47,843	$ 13,853
Net expense	1,061	999	12,817	-

(thousands of dollars)		2009		
	SaskTel	SGI	SaskPower	SaskEnergy
Accrued benefit liability	$ 15,271	$ 3,645	$ 46,214	$ 13,973
Net expense	1,199	996	11,590	

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 for SaskPower and December 31 for SaskTel, SaskEnergy and SGI are:

		2010		
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	5.4%	4.5%	3.5%	4.2%
Long term rate of compensation increases	3.0%	3.5%	3.5%	3.0%
Remaining service life (years)	12.0	10.0	9.0	7.0

		2009		
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	5.4%	5.4%	4.0%	5.2%
Long term rate of compensation increases	3.0%	3.5%	3.5%	3.0%
Remaining service life (years)	14.0	10.0	9.0	8.0

Defined Contribution Pension Plans

The Corporation also has employees who are members of defined contribution pension plans. The Corporation's financial obligation is limited to contractual contributions to the plan. During the year, the Corporation paid $42.3 million (2009 $41.4 million) into these plans.

27. RATE REGULATION

The fact that the Corporation is subject to rate regulation does not result in the Corporation selecting accounting policies that would materially differ from generally accepted accounting principles.

Telecommunications

The Corporation's telecommunications and broadcast services are regulated by the Canadian Radio - television and Telecommunications Commission (CRTC). However, the CRTC only regulates rates for specific telecommunications services and only in locations where the CRTC believes that the level of competition in that service is not high enough that market forces can be relied on to protect the interests of customers. For these "non-forborne" services, the rate which the Corporation may charge must receive CRTC approval prior to being implemented and may not be set below the long-run incremental costs of the service, calculated according to CRTC costing rules. The CRTC also regulates rates for all services that are designed for use by competitors. The CRTC requires rates for many of these services to be based on long-run incremental costs plus approved mark-ups.

In addition, the CRTC has implemented a price cap framework which: limits the Corporation's flexibility in the pricing of some rate regulated retail services; subjects certain competitor service rates to potential annual decreases; and prohibits the Corporation from altering basic residential access rates in areas deemed to be Low Cost Serving Areas. The CRTC has established a subsidy mechanism aimed at keeping basic residential access affordable in areas deemed by the CRTC to be High Cost Serving Areas (HCSAs). In these areas the Corporation receives a subsidy from the National Contribution Fund equal to the difference between long-run incremental costs in these areas and the rates charged to subscribers. Therefore the revenue received by the Corporation in these areas is effectively the rate charged to subscribers plus the subsidy per line. The cost component of the subsidy calculation amount is adjusted annually based on assumed productivity gains less inflation. The rate component is also adjusted annually as the CRTC has given the Corporation the ability to make annual rate increases equal to the rate of inflation in HCSAs, however, even if the Corporation does not raise rates in these areas, the increase is assumed to have been applied and the subsidy per line is decreased.

In September 2009, the CRTC issued "*Notice of Consultation 2009-575 Call for comments - Identification, scope and prioritization of issues regarding obligation to serve, basic service objective, and local service subsidy regime*". This consultation culminated in a public hearing in the fall of 2010. The CRTC decision, expected in the spring of 2011, could significantly impact future subsidy mechanisms.

Approximately $179.0 million (2009 - $196.0 million) of the Corporation's operating revenues are currently subject to CRTC rate regulation.

Property and casualty insurance

Regulation of automobile insurance premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia, which represent approximately $56.1 million (2009 - $41.5 million) of the Corporation's consolidated revenue.

Gas marketing and natural gas commodity

The Corporation's operations in certain jurisdictions are subject to rate regulation by the National Energy Board and the Manitoba Public Utilities Board, which represents approximately $1.4 million (2009 - $2.7 million) of the Corporation's consolidated revenue.

28. SUBSEQUENT EVENTS

a) On January 4, 2011, the Corporation sold its interest in the property known as Saskatoon Square for proceeds of approximately $34.4 million.

b) On January 31, 2011, the Corporation disposed of the net assets of Hospitality Network for cash consideration of approximately $36.0 million. Active operations of Hospitality Network have ceased as of that date.

29. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform to current year's presentation.

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CIC NON-CONSOLIDATED

CIC
Crown Investments Corporation of Saskatchewan

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ANALYSIS OF FINANCIAL RESULTS

CIC's non-consolidated financial statements are used to determine CIC's capacity to pay dividends to the Province's GRF. These non-consolidated financial statements isolate the Corporation's cash-flow, and capital and operating support for certain subsidiary Crown corporations. Inclusion of these financial statements in the Annual Report of CIC enhances accountability and the transparency of CIC's operations.

This narrative on CIC's non-consolidated 2010 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

Earnings

The following table presents a five year comparison of CIC's financial results:

(millions of dollars)	2010	2009	2008	2007	2006
Dividend revenue from Crown corporations	$ 276.1	$ 258.1	$ 773.4	$ 221.1	$ 237.7
Revenue from investments[1]	77.6	12.7	26.4	399.9	112.1
Grant funding from GRF	109.9	27.8	2.1	-	-
Operating and other expenses	(14.2)	(18.6)	(22.1)	(15.2)	(13.3)
Grants to subsidiaries	(140.7)	(103.3)	(30.5)	(28.9)	(14.2)
Total non-consolidated earnings	$ 308.7	$ 176.7	$ 749.3	$ 576.9	$ 322.3

[1] Revenue from investments includes NewGrade Energy Inc. from 2006 to the date of sale in 2007 and in 2010 includes a $72.7 million recovery of CIC's investment in CIC Asset Management Inc.

Earnings for 2010 were $308.7 million (2009 - $176.7 million), an increase of $132.0 million from 2009. Increase in net earnings is primarily a result of a recovery of $72.7 million of a write-down in CIC's subsidiary CIC AMI. CIC wrote-down its investment in CIC AMI in the early 1990's due to substantial losses in several investments held by CIC AMI. Also effecting earnings were an increase of dividend revenue of $18.0 million, an increase in grant funding from the GRF of $82.1 million and a decrease in operating and other expenses of $4.4 million. These increases in net earnings were offset by lower income from short-term investments of $7.8 million and an increase in grant funding to subsidiary corporations of $37.4 million.

Dividend Revenue

CIC's revenue is comprised of dividends from subsidiary Crown corporations and revenue from investments. Dividends from subsidiary Crown corporations are the primary determinant in CIC's ability to pay regular dividends to the GRF.

Revenues are influenced by weather as follows:

- Demand for electricity and natural gas increases during cold weather, impacting earnings at SaskPower and SaskEnergy;
- Accident and other insurance claims at SGI are impacted by winter driving conditions and the summer storm season; and
- Water run-off levels impact SaskPower's capacity to generate hydro electricity at a much lower cost compared to fuel and coal generation.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS (continued)

Dividend Revenue (continued)

Dividend revenue in 2010 increased $18.0 million to $276.1 million. A five year history on revenue by contribution source is as follows:

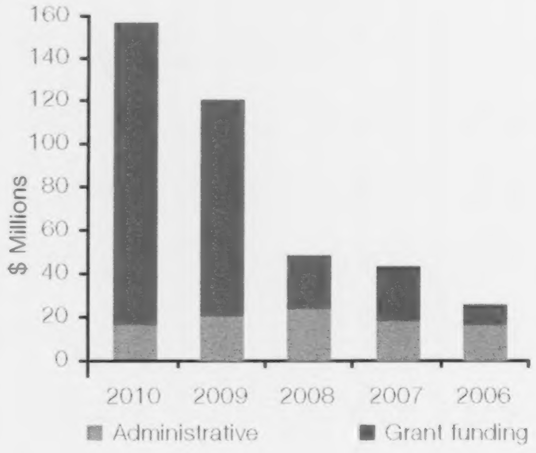
(millions of dollars)	2010	2009	2008	2007	2006
SaskPower	$ -	$ -	$ 46.0	$ 97.0	$ 60.2
SaskTel	139.7	103.2	78.9	30.0	50.0
SaskEnergy	48.8	51.3	42.9	53.0	34.5
SGI	43.5	34.0	26.2	22.8	33.9
CIC AMI	-	34.0	543.0	10.3	59.1
ISC	14.0	13.6	21.1	8.0	-
SGC	19.4	20.3	15.3	-	-
SOCO	9.0	-	-	-	-
SDFC	1.7	-	-	-	-
SGGF MC	-	1.7	-	-	-
NewGrade Energy Inc.	-	-	-	-	105.0
Total dividend revenue	**$ 276.1**	$ 258.1	$ 773.4	$ 221.1	$ 342.7

- SaskPower's dividend has been suspended in order to support SaskPower's significant capital program over the next ten years. The suspension reflects the need for SaskPower to retain capital in order to maintain a prudent debt to equity ratio.
- SaskTel's dividend of $139.7 million increased by $36.5 million from its 2009 dividend of $103.2 million. The increase is primarily due to an increase in SaskTel's net earnings in 2010 by $26.2 million and an increase in the dividend rate from 80.0 per cent in 2009 to 90.0 per cent of earnings in 2010. The increase in dividend rate was possible due to the strong debt to equity ratio at SaskTel.
- SaskEnergy's 2010 dividend of $48.8 million decreased $2.5 million from $51.3 million in 2009. The decrease was mainly due to the 2009 gain on sale of SaskEnergy's 50.1 per cent investment in Heritage Gas which created a higher dividend in 2009.
- SGI's 2010 dividend of $43.5 million increased $9.5 million from $34.0 million in 2009. The increase was due mainly to an increase in dividend rate to 90.0 per cent of earnings in 2010 from 65.0 per cent in 2009.
- CIC AMI did not pay a dividend in 2010. Available cash flow from CIC AMI was used to retract $100.0 million in share capital during the year.
- ISC's 2010 dividend of $14.0 million increased $0.4 million from $13.6 million in 2009. The increase was due primarily to ISC adding corporate registry services to its list of services it provides to the people of Saskatchewan.
- SGC's 2010 dividend of $19.4 million decreased $0.9 million from $20.3 million in 2009. The decrease in dividend is due mainly to a labour disruption in the summer that resulted in reduced operating hours, reduced services and a decline in guest counts.
- SOCO's 2010 dividend of $9.0 million was a one-time distribution of excess capital held by the Corporation.
- SDFC's 2010 dividend reflects the distribution of SDFC's remaining assets as the Corporation continues to wind-down its operations.
- SGGF MC was dissolved on March 31, 2009. Its remaining net assets, at dissolution, were transferred to CIC in the form of a dividend.
- NewGrade was sold on November 1, 2007.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS (continued)

Expenses

CIC's expenses are divided into two main categories: administrative and grants to subsidiary corporations. The adjacent chart shows CIC's expenses by category. Total expenses in 2010 of $154.9 million were $33.0 million higher than the 2009 total of $121.9 million.



Administrative Expenses

Administrative expenses decreased by $4.4 million during 2010 to $14.2 million. The decrease is primarily a result of reduced administration costs combined with decreased program funding.

Grants to Subsidiary Corporations

CIC's grant funding to subsidiary corporations of $140.7 million (2009 - $103.3 million) increased by $37.4 million over 2009. CIC's grant funding is as follows:

- SaskPower received $109.9 million (2009 - $27.8 million) for carbon capture and storage initiatives. CIC provided SaskPower's grant out of $109.9 million of grant funding from the GRF;
- CIC provided SaskEnergy with $18.2 million (2009 - $16.3 million) as part of the Saskatchewan Energy Share program;
- CIC grant funding to STC of $9.3 million decreased from $9.6 million in 2009. Funding for 2010 was comprised of $8.4 million (2009 - $7.8 million) for operations and $0.9 million (2009 - $1.8 million) to meet capital requirements;
- CIC provided $3.3 million in grants to SaskTel: $Nil (2009 - $45.0 million) to fund the Saskatchewan Rural Infrastructure Program and $3.3 million (2009 - $2.8 million) to fund FleetNet, a provincial emergency communications network; and
- Gradworks Inc. received $Nil in grants in 2010 (2009 - $1.9 million) to fund its internship program.

Operating, Investing and Financing Activities

(millions of dollars)		2010		2009
Cash Flow Highlights				
Cash from operations	$	**269.6**	$	152.3
Cash provided by investing activities		**392.8**		228.2
Cash used in financing activities		**(597.6)**		(907.8)
Change in cash	$	**64.8**	$	(527.3)

Cash from operations in 2010 of $269.6 million increased from 2009 by $117.3 million. The increase was due mainly to higher dividend revenue collected during 2010 as compared with 2009, changes in non-cash working capital balances and a decrease in funding to SaskTel for the Saskatchewan Rural Infrastructure Program.

In 2010, investing activities provided $392.8 million in cash compared to $228.2 million in 2009. Cash from investing activities was provided mainly through the proceeds from the sale of short-term investments, and the retraction of $100.0 million of equity from CIC AMI.

Cash used in financing activities is comprised primarily of CIC's dividend and equity repayments to the GRF. In 2010, CIC declared and paid a dividend to the GRF of $471.0 million and repaid $120.0 million in equity advances.

PUBLIC POLICY INITIATIVES

CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture)

CIC Economic Holdco Ltd. was established in November 2005 in order to hold a joint venture interest in Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). SEFJV operates as an institutional investment fund focusing on investment in the Province of Saskatchewan and the creation of employment and economic growth and expansion of the small business sector. To December 31, 2010, CIC had invested $4.0 million.

The CIC Board of Directors discontinued further capital contributions by CIC to SEFJV.

First Nations and Métis Fund Inc.

First Nations and Métis Fund Inc. was established in May 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. CIC has committed to invest up to $20.0 million. To December 31, 2010, CIC had invested $3.1 million.

CIC Apex Equity Holdco Ltd. (Apex Investment Limited Partnership)

CIC Apex Equity Holdco Ltd. was established in February 2007 to hold a joint venture interest in Apex Investment Limited Partnership (Apex). Together with its partners, Conexus Credit Union 2006, Cornerstone Credit Union, Innovation Credit Union and PFM Capital Inc., Apex focuses on debt and equity investments in the Province of Saskatchewan's small and medium sized business sector. CIC is committed to invest up to $60.0 million in Apex. To December 31, 2010 CIC had invested $8.1 million.

Saskatchewan Immigrant Investor Fund Inc.

Saskatchewan Immigrant Investor Fund Inc. was established on October 6, 2010 under *The Business Corporations Act (Saskatchewan)*. The Corporation was established to participate in the Government of Canada's Immigrant Investor Program (IIP). The Corporation intends to use IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program that assists builders and developers in building affordable housing in Saskatchewan.

Gradworks Inc. (Gradworks)

The Gradworks internship program was formally launched in February 2005 after operating on a trial basis in 2004. Gradworks provides recent post-secondary graduates with internships in CIC Crown corporations, providing the graduates job opportunities and valuable work experience that may lead to permanent jobs in the Crowns, or with other Saskatchewan employers.

COMPARISON OF 2010 RESULTS WITH BUDGET

(millions of dollars)	2010 Dividend Revenue Budget	 Actual	Dividend (%) of Earnings
Dividends to CIC			
SaskPower	$ -	$ -	N/A
SaskTel	115.2	139.7	90%
SaskEnergy[1]	58.1	48.8	90%
SGI	42.7	43.5	90%
ISC[2]	16.4	14.0	90%
SGC	25.2	19.4	90%
SOCO	9.0	9.0	310%
SDFC	-	1.7	N/A
Total dividend revenue	**266.6**	**276.1**	
Grant funding	(92.2)	(140.7)	
Other income net of expenses	21.9	173.3	
Non-consolidated earnings	**$ 196.3**	**$ 308.7**	
Dividend to the GRF	**$ 276.0**	**$ 471.0**	

[1] Dividends for SaskEnergy are based on earnings from operations before the impacts of fair value adjustments (referred to as adjusted net earnings).

[2] ISC revised its budgeted net earnings from $10.9 million to $16.4 million as a result of Cabinet's decision to transfer the Corporations Branch to ISC and increased revenue projections. This revision was approved by the CIC Board on Septemeber 16, 2010.

Earnings

The preceding table shows CIC's non-consolidated earnings for 2010. Non-consolidated earnings for 2010 of $308.7 million compared favourably to the budgeted amount of $196.3 million. The earnings exceeded budget primarily due to a recovery of amounts written-down on CIC AMI of $72.7 million which was not budgeted for in 2010; higher than budgeted dividend revenue of $9.5 million, and lower than budgeted expenditures.

Dividend Revenue

Dividend revenue is directly proportionate to Crown earnings. The budget set for 2010 assumed a 100 per cent dividend payout rate. During the year, CIC adjusted the dividend payout rate to 90 per cent for all subsidiary Crowns except SOCO. The following outlines variances in dividends from Crown corporations:

- SaskPower dividends have been suspended in order to support SaskPower's significant capital program;
- SaskTel dividends were above budget due to lower than expected operational spending and interest costs due to lower than expected capital spending;
- SaskEnergy dividends were below budget due to a lower transmission volumes and the reduction of the dividend rate;
- SGI dividends were higher than budget due to solid results from the Corporation's investment portfolio;
- ISC dividends were below budget primarily due to lower Land, Geomatics and Legal Survey revenues;
- SGC dividends were below budget due to a labour disruption in the summer that resulted in reduced operating hours, reduced services and a decline in guest counts; and
- SOCO's 2010 dividend of $9.0 million was a one-time distribution of excess capital held by the Corporation.

Grant Funding

CIC's grant funding to subsidiary Crown corporations was above budget by $48.5 million. This is primarily due to higher than budgeted grants to SaskEnergy in support of the Saskatchewan Energy Share Program and higher than expected expenditures by SaskPower on the carbon capture and storage initiative.

COMPARISON OF 2010 RESULTS WITH BUDGET (continued)

Dividend to the GRF

In 2010, CIC declared and paid a dividend to the GRF of $471.0 million (2009 - $755.0 million). CIC's dividend included the budgeted dividend of $276.0 million plus a special dividend of $195.0 million to support the Children's Hospital initiative in Saskatoon, Saskatchewan.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

Earnings of Crown Corporations

- The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations.
- Factors affecting the level of dividends from subsidiary Crown corporations include the level of profits and the application of CIC's Subsidiary Dividend Policy. The CIC Board of Directors determines dividends from a subsidiary after allocating cash for reinvestment into the Crown and also for debt reduction, if necessary.

Investment Values

- CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges the investment to have other than a temporary decline in carrying value.

LOOKING AHEAD TO 2011

CIC's key financial initiatives for 2011 include:

- Continue to improve Saskatchewan's infrastructure to meet the needs of both residents and commercial operations;
- Continue support for public expenditures including:
  - Funding STC bus routes;
  - Supporting SaskEnergy's Saskatchewan Energy Share Program (EnerGuide for Houses);
  - Supporting SaskTel's Saskatchewan Rural Infrastructure Program;
  - Funding youth initiatives such as Gradworks; and
  - Providing capital to fund specified economic initiatives, including funding of carbon capture and storage initiatives.
- Continue to provide a return to the shareholder;
- Enhance accountability through the adoption of a sector wide Enterprise Risk Management framework;
- Transition CIC and its subsidiary Crown corporations to International Financial Reporting Standards; and
- Continue to monitor new developments in financial reporting and governance, ensuring that CIC is a leader in its reporting and accountability practices.

(millions of dollars)	Earnings	Dividend	Dividend (%) of Crown Earnings
Crown Corporations 2011 Budget			
SaskPower	$ 118.6	$ -	
SaskTel	161.0	144.9	90%
SaskEnergy	96.3	47.7	50%
SGI	43.1	32.4	75%
CIC AMI[1]	(7.1)	-	
ISC	12.2	11.0	90%
SaskWater	0.2	-	
STC	(0.5)	-	
SOCO	4.6	-	
SGC	25.5	20.4	80%
CIC (non-consolidated), other, adjustments	(82.2)	-	
Consolidated earnings	$ 371.7		
Dividend to the GRF	$ 128.5		

[1] CIC AMI's dividend is determined on a cash availability formula, which is determined at year end.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with the basis of accounting described in Note 2 to the financial statements, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the non-consolidated financial statements, the notes to the non-consolidated financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, KPMG LLP and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the non-consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the non-consolidated financial statements, appears on the following page.

RW Carter

R.W. (Dick) Carter, FCA
President & CEO

Blair Swystun, CFA
Senior Vice-President & CFO

March 24, 2011

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying non-consolidated financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the non-consolidated statement of financial position as at December 31, 2010 and the non-consolidated statements of operations and comprehensive income, retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These non-consolidated financial statements have been prepared in accordance with the basis of accounting described in Note 2 to the non-consolidated financial statements at the request of the Legislative Assembly of Saskatchewan.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the basis of accounting described in Note 2 to the non-consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Crown Investments Corporation of Saskatchewan as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the non-consolidated financial statements.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2 to the non-consolidated financial statements which describes the basis of accounting. The non-consolidated financial statements are prepared for the purpose of tabling with the Legislative Assembly of Saskatchewan. As a result, the non-consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan and should not be used by parties other than the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 24, 2011

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of dollars)	2010	2009
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 160,811	$ 96,009
Short-term investments (Note 4)	154,698	451,829
Interest and accounts receivable	2,845	3,111
Dividends receivable	60,785	85,697
Restricted cash and cash equivalents (Note 5)	110,505	67,132
	489,644	703,778
Restricted cash and cash equivalents (Note 5)	-	146,693
Equity advances to Crown corporations (Note 6)	1,090,036	1,082,736
Investments in share capital corporations (Note 7)	15,208	45,721
Equipment (Note 8)	434	543
Intangible assets (Note 9)	512	276
	$ 1,595,834	$ 1,979,747
LIABILITIES AND PROVINCE'S EQUITY		
Interest and accounts payable	$ 14,627	$ 6,341
Deferred funding (Note 5)	100,240	210,141
	114,867	216,482
Province of Saskatchewan's Equity		
Equity advances (Note 10)	931,152	1,051,152
Retained earnings	549,815	712,113
	1,480,967	1,763,265
	$ 1,595,834	$ 1,979,747

Commitments and Contingencies (Note 11)

(See accompanying notes)

On behalf of the Board:

Director

Director

NON-CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Year Ended December 31 (thousands of dollars)		**2010**		2009
REVENUE				
Dividend (Note 12)	$	276,090	$	258,102
Interest		4,891		12,664
Grant funding from General Revenue Fund (Note 5)		109,901		27,754
Recovery of amounts previously written-down (Note 7(a))		72,725		
Other		4		57
		463,611		298,577
EXPENSES				
General, administrative and other		13,998		18,429
Depreciation		164		143
		14,162		18,572
Earnings before the following		449,449		280,005
Grants to subsidiary corporations (Note 13)		(140,747)		(103,316)
NET EARNINGS		308,702		176,689
OTHER COMPREHENSIVE INCOME		-		-
COMPREHENSIVE INCOME	$	308,702	$	176,689

(See accompanying notes)

NON-CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31 (thousands of dollars)		**2010**		2009
RETAINED EARNINGS, BEGINNING OF YEAR	$	712,113	$	1,290,424
NET EARNINGS		308,702		176,689
DIVIDEND TO GENERAL REVENUE FUND		(471,000)		(755,000)
RETAINED EARNINGS, END OF YEAR	$	549,815	$	712,113

(See accompanying notes)

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31 (thousands of dollars)		2010		2009
OPERATING ACTIVITIES				
Net earnings	$	308,702	$	176,689
Add (deduct) non-cash items:				
Depreciation		164		143
Recovery of amounts previously written down (Note 7(a))		(72,725)		-
		236,141		176,832
Net change in non-cash working capital balances related to operations (Note 14)		33,464		(24,489)
Cash provided by operating activities		269,605		152,343
INVESTING ACTIVITIES				
Decrease in short-term investments		298,936		219,897
Purchase of investments		(3,375)		(7,664)
Proceeds from sale and collection of investments		6,613		6,097
Proceeds from retraction of CIC Asset Management Inc. shares (Note 7(a))		100,000		-
Transfer of assets from Saskatchewan Development Fund Corporation		(1,805)		
Purchase of equipment		(42)		(311)
Purchase of intangible assets		(249)		(276)
Equity advances (Note 6(a))		(8,000)		-
Proceeds from retraction of equity advances (Note 6(b))		700		10,451
Cash provided by investing activities		392,778		228,194
FINANCING ACTIVITIES				
Decrease in restricted cash and cash equivalents		103,320		24,903
Decrease in deferred funding		(109,901)		(27,754)
Repayment of equity advances (Note 10)		(120,000)		-
Dividend paid (Note 10)		(471,000)		(905,000)
Cash used in financing activities		(597,581)		(907,851)
NET CHANGE IN CASH DURING YEAR		64,802		(527,314)
CASH POSITION, BEGINNING OF YEAR		96,009		623,323
CASH POSITION, END OF YEAR	$	160,811	$	96,009

(See accompanying notes)

1. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of *The Crown Corporations Act, 1993* (the Act), as Crown Investments Corporation of Saskatchewan (CIC). CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following Crown corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Gaming Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a non-profit corporation and the sole shareholder of CIC Asset Management Inc. (CIC AMI), First Nations and Métis Fund Inc. (FNMF), CIC Economic Holdco Ltd., CIC Apex Equity Holdco Ltd., and Saskatchewan Immigrant Investor Fund Inc., which are wholly owned share capital subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The non-consolidated financial statements of CIC have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because CIC's subsidiaries are accounted for using the cost method. CIC has also prepared and tabled consolidated financial statements for the same period in accordance with Canadian generally accepted accounting principles.

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, six Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends from these corporations are recognized as income when declared.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Investments in share capital corporations

Investments in shares of corporations are accounted for using the cost method regardless of whether or not there is a parent-subsidiary relationship. When there has been a decline in the value of a share capital corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends from these share investments are recognized as income when declared.

d) Equipment

Equipment is recorded at cost. When these assets are disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Equipment is depreciated using the following methods:

Computer equipment - 3 years straight-line
Furniture and equipment - 20% declining balance
Computer software - 3 years straight-line
Leasehold improvements - over life of lease

e) Intangible assets

Intangible assets relate to a carbon offset project located within Saskatchewan. Capitalized costs are for the planting of hybrid poplar trees used to sequester carbon from the atmosphere in tree biomass. The project is expected to create carbon offset credits over its life cycle ending September, 2029.

Amortization is calculated on a straight-line basis over 20 years.

f) Financial instruments

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. CIC has made the following classifications:

- Cash and cash equivalents, short-term investments, and restricted cash and cash equivalents are classified as financial assets held-for-trading and are measured at fair value;
- Interest and accounts receivable and dividends receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest method; and
- Interest and accounts payable is classified as other liabilities and is measured at amortized cost using the effective interest method.

g) Cash position

Cash position includes the cash held within CIC's bank accounts and investments which mature on or before March 31, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook, which requires Government Business Enterprises (GBE's) to adopt IFRS and Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. CIC, as a stand-alone entity is an OGO, however, because the majority of its subsidiaries are GBE's, CIC has selected IFRS as its accounting platform.

CIC and its subsidiaries are finalizing their IFRS financial statement disclosures. Selection of accounting policies has been finalized and approved by the CIC Board. IFRS financial statement presentation formats are being finalized and reviewed by the external auditor. As part of the IFRS implementation, CIC has made changes to certain processes and systems to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes.

For CIC's non-consolidated statements, CIC expects to reverse its allowance on its investment in CIC AMI on conversion to IFRS. The reversal on the allowance will increase CIC's investment in CIC AMI by $80.0 million and increase retained earnings by a corresponding amount. Other than certain changes in formats of the financial statements CIC does not expect any other material adjustments.

3. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are $148.6 million (2009 - $57.4 million) of investments maturing on or before March 31, 2011 with an effective interest rate of 1.04 per cent (2009 - 0.29 per cent).

4. SHORT-TERM INVESTMENTS

Included in short-term investments are $152.9 million (2009 - $451.8 million) of investments maturing on or before August 4, 2011 with an effective interest rate of 1.21 per cent (2009 - 0.57 per cent). Also included in short-term investments are $1.8 million (2009 - $Nil) in zero coupon government bonds with maturity dates ranging from June 1, 2011 to June 1, 2013. The zero coupon government bonds can be sold, at fair value, at the option of CIC.

5. RESTRICTED CASH AND CASH EQUIVALENTS AND DEFERRED FUNDING

Included in restricted cash and cash equivalents are $95.6 million (2009 - $203.7 million) of investments maturing on or before March 14, 2011 with an effective interest rate of 1.06 per cent (2009 - 0.51 per cent).

Restricted cash and cash equivalents and deferred funding are comprised of unspent funding transferred to CIC from the Province of Saskatchewan's General Revenue Fund (GRF) restricted for carbon capture and storage initiatives undertaken by Saskatchewan Power Corporation (SaskPower). As qualifying expenditures are made, CIC recognizes an equivalent amount of funding in earnings and reduces restricted cash and cash equivalents and deferred funding by the same amount.

During 2010, $109.9 million (2009 - $27.8 million) has been funded to SaskPower under this program as follows:

(thousands of dollars)		2010		2009
Deferred GRF funding - beginning of year	$	210,141	$	237,895
Grant funding earned and grant to SaskPower		(109,901)		(27,754)
Deferred GRF funding - end of year	$	100,240	$	210,141
Comprised of:				
Current restricted cash and cash equivalents	$	110,505	$	67,132
Long-term restricted cash and cash equivalents		-		146,693
Payable to SaskPower (a)		(10,265)		(3,684)
Deferred funding	$	100,240	$	210,141

(a) Amounts payable to SaskPower are included in interest and accounts payable.

6. EQUITY ADVANCES TO CROWN CORPORATIONS

Equity advances to Crown corporations are as follows:

(thousands of dollars)		2010		2009
Saskatchewan Power Corporation	$	660,000	$	660,000
Saskatchewan Telecommunications Holding Corporation		250,000		250,000
Saskatchewan Government Insurance		80,000		80,000
SaskEnergy Incorporated		71,531		71,531
Saskatchewan Gaming Corporation		19,805		19,805
Saskatchewan Water Corporation (a)		8,700		700
Saskatchewan Development Fund Corporation (b)		-		700
	$	1,090,036	$	1,082,736

a) On December 20, 2010, CIC provided Saskatchewan Water Corporation with an equity advance of $8.0 million.

b) During 2010, Saskatchewan Development Fund Corporation repaid its remaining equity advances to CIC of $0.7 million.

c) Crown corporations are not publicly traded and therefore have no quoted market value. As a result, CIC has determined that it is not practical with sufficient reliability to fair value these investments.

7. INVESTMENTS IN SHARE CAPITAL CORPORATIONS

(thousands of dollars)	Voting Percentage	2010	2009
CIC Asset Management Inc. (a):			
7,999,983 (2009 - 17,999,983) common shares	100%	$ 80,000	$ 180,000
First Nations and Métis Fund Inc. (b):			
100 (2009 - 100) Class A common shares	100%	-	-
Due from FNMF		3,100	4,100
		3,100	4,100
CIC Economic Holdco Ltd. (c):			
100 (2009 - 100) Class A common shares	100%	-	-
Due from CIC Economic Holdco Ltd.		4,017	4,223
		4,017	4,223
CIC Apex Equity Holdco Ltd. (d):			
100 (2009 - 100) Class A common shares	100%	-	-
Due from CIC Apex Equity Holdco Ltd.		8,091	10,123
		8,091	10,123
Saskatchewan Immigrant Investor Fund Inc. (e):			
1 (2009 - Nil) Class A common share	100%	-	-
		95,208	198,446
Write-down of investments:			
CIC Asset Management Inc.		(80,000)	(152,725)
		$ 15,208	$ 45,721

a) On December 30, 2010, CIC retracted 10,000,000 shares of CIC AMI at their stated value of $10 per share for proceeds of $100.0 million. The transaction recovered CIC's book value of CIC AMI of $27.3 million and recovered $72.7 million from a previous write-down of CIC AMI's book value.

b) FNMF was established on May 9, 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan.

7. INVESTMENTS IN SHARE CAPITAL CORPORATIONS (continued)

c) CIC, through its wholly-owned subsidiary, CIC Economic Holdco Ltd., entered into a joint venture agreement with Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). The SEFJV was established on April 24, 2006 to operate as an institutional investment fund focusing primarily on investment in Saskatchewan and the creation of employment and economic growth and expansion of the small business sector in Saskatchewan. CIC Economic Holdco Ltd. holds a 45.5 per cent (2009 - 45.5 per cent) joint venture interest in SEFJV.

At December 31, 2010 CIC Economic Holdco Ltd. had total assets of $3.9 million (2009 - $4.2 million) and recorded a net loss of $0.1 million (2009 - net income of $0.1 million). CIC has invested $4.0 million (2009 - $4.2 million) in capital in SEFJV through CIC Economic Holdco Ltd.

d) CIC, through its wholly-owned subsidiary, CIC Apex Equity Holdco Ltd., entered into a joint venture agreement with Apex Investment GP Inc., PFM Capital Inc., Conexus Credit Union 2006, Cornerstone Credit Union and Innovation Credit Union to establish Apex Investment Limited Partnership (APEX). APEX was established on February 1, 2007 to focus on debt and equity investments in Saskatchewan small and medium-sized businesses. The objective of APEX is to realize long-term capital appreciation from its investments. CIC Apex Equity Holdco. Ltd. holds a 54.5 per cent (2009 - 54.3 per cent) joint venture interest in APEX.

At December 31, 2010, CIC Apex Equity Holdco Ltd. had total assets of $19.0 million (2009 - $13.8 million) and recorded net earnings of $4.8 million (2009 - $0.6 million). CIC has invested $8.1 million (2009 - $10.1 million) in capital in APEX through CIC Apex Equity Holdco Ltd.

e) Saskatchewan Immigrant Investor Fund Inc. was established on October 6, 2010 under *The Business Corporations Act (Saskatchewan)*. The Corporation was established to participate in the Government of Canada's Immigrant Investor Program (IIP). The Corporation intends to use IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program that assists builders and developers in building affordable housing.

f) The securities of CIC AMI, FNMF, CIC Apex Equity Holdco Ltd., CIC Economic Holdco Ltd. and Saskatchewan Immigrant Investor Fund Inc. are not publicly traded and therefore have no quoted market value. As a result, CIC has determined that it is not practical with sufficient reliability to fair value these investments.

8. EQUIPMENT

(thousands of dollars)	2010 Cost	Accumulated Depreciation	Net Book Value	2009 Net Book Value
Equipment	$ 1,714	$ 1,280	$ 434	$ 543

9. INTANGIBLE ASSETS

(thousands of dollars)	2010 Cost	Accumulated Amortization	Net Book Value	2009 Net Book Value
Intangible Assets	$ 525	$ 13	$ 512	$ 276

10. EQUITY ADVANCES AND CAPITAL DISCLOSURES

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF. During 2010, CIC repaid $120.0 million (2009 - $Nil) in equity advances to the GRF. CIC, as a holding corporation for the Saskatchewan commercial Crown sector, does not carry any debt. Equity advances from the GRF have been invested in subsidiary Crown corporations.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown corporation dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown corporation dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings. CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown corporation earnings.

During 2010, CIC declared and paid $471.0 million in dividends to the GRF.

11. COMMITMENTS AND CONTINGENCIES

a) CIC and Consumer's Co-operative Refineries Limited (CCRL) entered into an agreement whereby CIC has agreed to provide up to $5.0 million of grant funding towards CCRL'S research, development or implementation of technologies that reduce greenhouse gas emissions. To date, CIC has provided $0.3 million (2009 - $Nil) in grant funding to CCRL.

b) CIC has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2011.

c) CIC has committed to invest up to $20.0 million in the First Nations and Métis Fund Inc. At December 31, 2010, CIC has invested $3.1 million (2009 - $4.1 million).

d) CIC has committed to invest up to $60.0 million in the Apex Investment Limited Partnership. At December 31, 2010, CIC has invested $8.1 million (2009 - $10.1 million).

e) CIC has committed to provide Saskatchewan Telecommunications Holding Corporation with $10.0 million in infrastructure grants in 2011.

12. DIVIDEND REVENUE

Dividend revenue consists of the following:

(thousands of dollars)		**2010**		2009
Saskatchewan Telecommunications Holding Corporation	$	**139,682**	$	103,207
SaskEnergy Incorporated		**48,800**		51,253
Saskatchewan Government Insurance		**43,520**		34,039
Saskatchewan Gaming Corporation		**19,354**		20,307
Information Services Corporation		**14,039**		13,553
Saskatchewan Opportunities Corporation		**9,000**		-
Saskatchewan Development Fund Corporation		**1,695**		-
CIC Asset Management Inc.		**-**		34,000
Saskatchewan Government Growth Fund Management Corporation		**-**		1,743
	$	**276,090**	$	258,102

13. GRANTS TO SUBSIDIARY CORPORATIONS

Grants to subsidiary Corporations consist of the following:

(thousands of dollars)		2010		2009
Saskatchewan Power Corporation	$	109,916	$	27,754
SaskEnergy Incorporated (a)		18,231		16,279
Saskatchewan Transportation Company		9,300		9,600
Saskatchewan Telecommunications Holding Corporation		3,251		47,753
Saskatchewan Water Corporation		49		
Gradworks Inc.		-		1,930
	$	140,747	$	103,316

a) In November 2005, Cabinet announced a two-part plan to help Saskatchewan people reduce heating costs and share the benefits of increased revenues from natural gas. During the year, CIC provided $18.2 million (2009 - $16.3 million) to SaskEnergy Incorporated to meet the directive.

14. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

(thousands of dollars)		2010		2009
Decrease in interest and accounts receivable	$	266	$	537
Decrease (increase) in dividends receivable		24,912		(28,154)
Increase in interest and accounts payable		8,286		3,128
	$	33,464	$	(24,489)

15. FINANCIAL RISK MANAGEMENT

a) Fair value hierarchy

CIC has classified the fair value of its financial instruments using the following hierarchy based on the nature of inputs used in the valuation:

Level 1	Where quoted prices are readily available from an active market.
Level 2	Valuation model not using quoted prices, but still predominantly observable market inputs such as market interest rates.
Level 3	Fair value determined based on inputs that are not based on observable market data.

The Corporation has made the following classifications:

- Cash and cash equivalents, short-term investments, and restricted cash and cash equivalents are measured at fair value due to their short-term maturity (level 1).

b) Market risk

Interest rate price risk reflects the risk that CIC's earnings will fluctuate due to changes in interest rates. CIC's cash and cash equivalents, short-term investments and restricted cash and cash equivalents are held in short-term money market instruments and will therefore adjust to fluctuations in the interest rate environment. CIC does not believe that the impact of fluctuations in interest rates will be significant and therefore has not provided a sensitivity analysis of the impact on net earnings.

15. FINANCIAL RISK MANAGEMENT (continued)

c) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. CIC's interest and accounts receivable consist mostly of interest due on money market investments. CIC has recorded no allowance on its interest and accounts receivable balance. Dividends receivable are due from CIC's subsidiaries within 90 days of year end. CIC has recorded no allowances on its dividends receivable.

d) Liquidity risk

Liquidity risk is the risk that CIC is unable to meet its financial commitments as they become due. CIC is a Saskatchewan provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. All interest and accounts payable are current and due within six months of year end. Currently, CIC has sufficient resources to discharge all liabilities.

16. RELATED PARTY TRANSACTIONS

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

(thousands of dollars)	2010	2009
Category (as per financial statements)		
Interest and accounts receivable	$ 230	$ 311
Interest and accounts payable	13,215	5,588
Other revenue	3	16
General, administrative and other expenses	2,007	4,697

In addition, CIC pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Asset Management Inc., First Nations and Métis Fund Inc., Gradworks Inc., CIC Economic Holdco Ltd., CIC Apex Equity Holdco Ltd., and Saskatchewan Immigrant Investor Fund Inc. without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

17. PENSION PLAN

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2010 was $517.7 thousand (2009 - $601.3 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2010 exceed the actuarially determined net present value of retirement annuities payable.

18. COMPARATIVE FIGURES

Certain of 2009 comparative figures have been reclassified to conform to current year's presentation.

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ANNUAL
2010
REPORT

CIC AMI CONSOLIDATED

CIC
Crown Investments Corporation of Saskatchewan

ANALYSIS OF FINANCIAL RESULTS

CIC Asset Management Inc. (CIC AMI) formerly operated as Investment Saskatchewan Inc. (IS), a CIC subsidiary Crown corporation. On July 1, 2009 the corporate name and status was changed to reflect a new mandate adopted at the end of 2008 and as result, CIC AMI now operates as a share capital subsidiary of CIC and is administered directly by CIC staff.

CIC AMI's focus is on prudently managing the existing portfolio with the mandate to divest of its assets in an orderly manner. Investment activity is limited to fulfilling previous commitments and making add-on investments where additional disbursements will protect CIC AMI's assets. CIC AMI is not seeking any new investment opportunities.

This narrative on CIC AMI's consolidated 2010 financial results should be read in conjunction with the audited consolidated financial statements.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

The following table presents a five year comparison of CIC AMI's financial results:

(millions of dollars)	**2010**	2009	2008	2007	2006
Key Financial Information					
Revenue	**$ 9.9**	$ 108.7	$ 202.4	$ 214.8	$ 332.0
Gain on sale of investments	**5.7**	10.8	690.6	2.4	3.8
Operating expenses	**(2.4)**	(131.9)	(164.1)	(190.1)	(278.1)
Investment (write down) recoveries	**(19.9)**	(26.9)	0.3	(29.4)	2.4
Provision for environmental costs	**(4.0)**	(3.6)	(48.2)	(26.1)	(9.3)
Other (expenses) revenue	**(0.3)**	10.1	10.0	39.9	22.1
Net (loss) earnings	**$ (11.0)**	$ (32.8)	$ 691.0	$ 11.5	$ 72.9

Revenue

Total revenue (revenue plus gain on sale of investments) decreased $103.9 million in 2010, to $15.6 million, primarily due to CIC AMI's investment in Big Sky Farms Inc. (Big Sky) which had been consolidated until November 10, 2009 when Big Sky entered creditor protection under *The Companies Creditors Arrangement Act* (CCAA). Upon emerging from creditor protection on March 22, 2010, CIC AMI had recorded its remaining investment in Big Sky under the equity method. As a consolidated investment, Big Sky contributed revenue of $99.2 million from sales of goods and services in 2009, and $Nil in 2010 as an equity accounted investment. Also contributing to lower revenue was decreased interest revenue of $4.9 million in 2010, primarily due to repayment of loans.

Operating Expenses

Operating expenses decreased in 2010 to $2.4 million compared to $131.9 million in 2009, the primary reasons for the decrease are as follows:

- CIC AMI has accounted for Big Sky as a subsidiary until November 10, 2009. During 2009, Big Sky accounted for $103.6 million of CIC AMI's operating expenses;
- During 2009, an $11.1 million operating and termination fee was paid to a third party investment manager. In 2009, CIC AMI staff took over the role as investment manager; and
- Beginning July 1, 2010, CIC AMI's operations were absorbed by CIC. As a result, premises, staffing, and other operating costs not directly related to the investments were absorbed by CIC.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS (continued)

Investment (Write-Down) Recoveries

Provisions and write-downs for loan losses and investments decreased to $19.9 million in 2010 from $26.9 million in 2009, a decrease of $7.0 million.

Details of the provisions and write-downs in 2010 and 2009 are as follows:

(millions of dollars)		2010		2009
Provision for Loan Losses and Write-down of Investments[1]				
Provision for loan losses	$	4.1	$	0.8
Write-down of available-for-sale-investments		13.4		7.2
Write-down of equity based investments		2.7		0.3
Impairment of held-for-trading investments		-		0.8
Recovery of previous impairments of investments and loans		(0.3)		(0.1)
Write-down of Big Sky Farms Inc.		-		17.9
Net provision for loan losses and write-down of investments	$	19.9	$	26.9

During 2010, CIC AMI recognized the following investment losses:

- $8.7 million provision related to its cost investment in Targeted Growth Canada Inc.;
- $4.2 million provision for its cost investment in Clothing For Modern Times Ltd.;
- $2.4 million provision on its equity investment in Can Pro Ingredients Ltd.;
- $1.8 million provision related to its debt investment in L&M Wood Products LP;
- $2.3 million provision for its debt investment in Can Pro Ingredients Ltd.; and
- $0.8 million provision was taken on other small portfolio assets.

Provision for Environmental Costs

CIC AMI is legally obligated to undertake necessary environmental clean-up activities on certain properties. CIC AMI estimates the cost based on advice given by experts in environmental remediation. Due to evolving environmental laws, enforcement and clean-up practices, estimates may change over time. During the year, CIC AMI increased its estimated costs to provide environmental remediation to properties in Prince Albert, Meadow Lake and Saskatoon by $4.0 million (2009 - $3.6 million). At year end, CIC AMI had environmental liabilities recorded for ERCO Worldwide chemical plant in Saskatoon ($65.4 million), Prince Albert pulp mill site in Prince Albert ($28.0 million) and Meadow Lake pulp mill site in Meadow Lake ($9.3 million).

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[1] The occurrence and extent of provisions and write-downs is estimated according to CIC AMI's internal valuation process which includes an assessment of the historical and projected financial results of investees, their technological feasibility and significant changes during the year, reasonability of internal forecasts, and likely proceess in the event of a sale.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS (continued)

Operating, Investing and Financing Activities

(millions of dollars)		2010		2009
Cash Flow Highlights				
Cash provided by (used in) operations	$	9.0	$	(6.5)
Cash provided by investing activities		46.1		39.6
Cash used in financing activities		(101.2)		(33.1)
Change in cash	$	(46.1)	$	-

Cash provided by operations increased $15.5 million in 2010 compared to 2009 primarily due to consolidated cash losses incurred in 2009 related to Big Sky. Subsequent to Big Sky's restructuring in 2010, the company is accounted for according to the equity method.

Cash provided by investing activities increased $6.5 million in 2010. In 2010, the sale of investments generated $48.9 million in cash proceeds, compared to $7.2 million in 2009. The increase is primarily due to the timing of investment sales, as the majority CIC AMI's fair value investments were sold in 2010. Cash provided by investing activities in 2009 was primarily due to the final receipt of $37.3 million in proceeds from the 2008 Saskferco sale. Purchases of investments in 2010 resulted in a use of cash of $2.0 million, compared to $7.0 million in 2009, as a number of existing investment commitments were funded in 2009, with the remainder completed in 2010.

Cash used in financing activities increased by $68.1 million in 2010 compared to 2009. The primary cause of the increased use of cash was $100.0 million in share redemptions in 2010 compared with $34.0 million in dividends paid in 2009. Both the 2010 share redemptions and 2009 dividends were paid to CIC.

LIQUIDITY

CIC AMI finances capital requirements through interest received on cash balances and cash returns from investments. CIC AMI is authorized to borrow from CIC and external financial institutions. The Province of Saskatchewan's General Revenue Fund (GRF) may borrow in capital markets on behalf of CIC and has ample access to capital markets for any potential borrowing requirements. At December 31, 2010, CIC AMI has no external debt and possesses adequate internal capital to fund its operations for the foreseeable future. Therefore, CIC AMI does not anticipate drawing on its available credit with CIC or any external financial institutions in 2011.

INVESTMENT MANAGEMENT

Investments and related risks are diligently monitored on an ongoing basis with periodic reporting to CIC's executive and the CIC AMI Board of Directors pertaining to investment returns, risks and investment retention or sale.

CIC AMI regularly assesses the appropriateness of the carrying value of its investments, and writes down an investment if it determines that there is a decline in its value that is not considered temporary. CIC AMI records its publicly traded investments based on market trading prices at the reporting date. Notwithstanding these write-downs and provisions, CIC AMI continues to strive to maximize the ultimate returns from these investments through such measures as continued development of the underlying investment's business, involvement in sale negotiations, and actively pursuing alternate means of collection where warranted.

CIC AMI's mandate is to prudently manage and divest the existing portfolio while making add-on investments only when it appears that additional disbursements will protect the asset to allow CIC AMI to make a suitable divestiture.

During 2010, CIC AMI's investment portfolio decreased by $71.3 million to $102.1 million as follows:

(millions of dollars)		2010
Investment Continuity Schedule		
Investments, beginning of year	$	173.4
Investment sale proceeds		(48.9)
Gain on sale of investments		5.7
Equity losses		(0.6)
Dividends from equity investments		(2.7)
Change in other comprehensive income related to investments		(6.9)
Write-down of investments		(19.9)
Purchase of investments		2.0
Investments, end of year	$	102.1

During the year, CIC AMI divested of assets with a book value of $43.2 million for proceeds of $48.9 million netting a gain on sale of $5.7 million. During 2010, the following asset disposals and additions were made:

(millions of dollars)		Cash proceeds on disposal		Cash outlay for additions
Investments				
Crescent Point Energy Corporation	$	22.4	$	-
Just Energy Exchange Corporation		3.2		-
Premium Brands Holdings Corporation		15.0		-
Stegg Ltd.		4.0		-
Collection of loan portfolio principal payments		2.1		-
Other		2.2		2.0
Total	$	48.9	$	2.0

LOOKING AHEAD TO 2011

CIC AMI's outlook related to investment values, earnings and cash flow performance, as well as dividend payment and long-term self-supporting abilities are highly dependent on the performance and management of the underlying investment portfolio. During the year, CIC AMI disposed of the balance of its publicly traded investments. As these investments are the most liquid investments in the portfolio, future cash flows from investment dispositions may vary significantly from the current year's results.

CIC AMI is budgeting for a net loss of $7.1 million in 2011. CIC AMI's net earnings are closely tied to the commodity values of oriented strand board (Meadow Lake OSB Limited Partnership) and hog prices (Big Sky). Commodity markets appear to be recovering from 2008 and 2009 levels; however, the recovery is not expected to lead CIC AMI to a net earnings position until at least 2012.

CIC AMI anticipates being self-supporting in cash requirements. Dividends and share redemptions to CIC in 2011 are dependent on these same factors. CIC AMI redeemed $100.0 million of shares in 2010 based on its assessment of cash flow requirements and capital structure.

CIC AMI anticipates exiting a number of investments in 2011, although timing of ultimate sale is dictated by market conditions. CIC AMI is prepared to defer the sale of investments where additional value will be created through an investment's organic growth and development, or through an improvement in market conditions. CIC AMI does not anticipate placing any additional significant investments in 2011. Any additional investments placed will be limited to select add on investments which may be required to achieve commercialization or sale of existing investments in the portfolio. Current economic conditions may result in a decision to delay some of the anticipated exits if it is felt that the current market value cannot be maximized during 2011.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management of CIC Asset Management Inc. of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on the following page.

Rae Haverstock

Rae Haverstock
Managing Director

March 1, 2011

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **CIC Asset Management Inc.**, which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of operations and retained earnings, comprehensive loss, accumulated other comprehensive income (loss), and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CIC Asset Management Inc. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 1, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of dollars)	2010	2009
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 129,479	$ 175,618
Interest and dividends receivable	296	499
Accounts receivable	1,744	1,460
Restricted cash (Note 4)	22,372	21,563
	153,891	199,140
Investments (Note 6)	102,070	173,436
Property, plant and equipment (Note 7)	35	257
Restricted cash (Note 4)	20,000	20,000
	$ 275,996	$ 392,833
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities	$ 4,090	$ 5,990
Environmental liabilities (Note 8)	102,595	98,575
Other liabilities (Note 9)	10,848	10,868
	117,533	115,433
Non-controlling interest	6,716	7,804
Shareholder's equity		
Share capital (Note 10)	80,000	180,000
Contributed surplus	161	136
Retained earnings	71,315	82,355
Accumulated other comprehensive income (Note 11)	271	7,105
	151,747	269,596
	$ 275,996	$ 392,833

Commitments and contingencies (Note 14)

(See accompanying notes)

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Year Ended December 31 (thousands of dollars)	2010	2009
REVENUE		
Sale of goods and services	$ -	$ 99,223
Interest and other	10,545	15,396
Losses from equity basis investments (Note 12(a))	(592)	(5,973)
Gain on sale of investments	5,684	10,839
	15,637	119,485
EXPENSES		
Operating expenses	2,384	118,500
Depreciation	21	7,284
Financing expense	-	6,163
	2,405	131,947
Earnings (Loss) before the following	13,232	(12,462)
Provision for environmental liabilities (Note 8)	(4,020)	(3,629)
Provision for loan losses (Note 12(b))	(4,127)	(816)
Write-down of investments (Note 12(c))	(15,725)	(8,134)
Provision for impairment of assets (Note 13)	-	(17,939)
Loss from continuing operations before income taxes	(10,640)	(42,980)
Future income tax recovery	-	225
Loss before non controllng interest	(10,640)	(42,755)
Non-controlling interest	(400)	10,226
LOSS FROM CONTINUING OPERATIONS	(11,040)	(32,529)
Loss from discontinued operations	-	(232)
NET LOSS	(11,040)	(32,761)
RETAINED EARNINGS, BEGINNING OF YEAR	82,355	149,116
DIVIDENDS	-	(34,000)
RETAINED EARNINGS, END OF YEAR	$ 71,315	$ 82,355

(See accompanying notes)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the Year Ended December 31 (thousands of dollars)		2010		2009
NET LOSS	$	(11,040)	$	(32,761)
Net change in unrealized gains on available-for-sale investments		80		10,434
Amounts realized in net loss		(6,770)		(2,207)
Net change in unrealized foreign currency translation losses		(144)		(417)
Other comprehensive (loss) income		(6,834)		7,810
COMPREHENSIVE LOSS	$	(17,874)	$	(24,951)

(See accompanying notes)

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the Year Ended December 31 (thousands of dollars)		2010		2009
Accumulated other comprehensive income (loss), beginning of year	$	7,105	$	(705)
Other comprehensive (loss) income		(6,834)		7,810
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF YEAR	$	271	$	7,105

(See accompanying notes)

For the Year Ended December 31 (thousands of dollars)	**2010**	2009
OPERATING ACTIVITIES		
Loss from continuing operations	$ (11,040)	$ (32,529)
Dividends from investments - equity basis	2,732	823
Items not affecting cash from operations (Note 15)	19,330	20,283
Net change in non-cash working capital balances related to operations (Note 16)	(1,981)	5,126
Cash provided by (used in) operating activities from continuing operations	9,041	(6,297)
Cash used in operating activities from discontinued operations	-	(232)
Cash provided by (used in) operating activities	9,041	(6,529)
INVESTING ACTIVITIES		
Proceeds from collection and sale of investments	48,904	7,171
Purchase of investments	(1,991)	(6,997)
Proceeds from sale of property, plant and equipment	-	2,663
Purchase of property, plant and equipment	-	(568)
(Increase) decrease in restricted cash and other assets	(812)	37,319
Cash provided by investing activities	46,101	39,588
FINANCING ACTIVITIES		
Repayment of long-term debt	-	(2,988)
Proceeds from long-term debt	-	500
Increase in bank indebtedness	-	4,271
Proceeds of share issuance to non-controlling interest	6	(30)
Dividends paid to minority interests of subsidiaries	(1,287)	(821)
Redemption of share capital	(100,000)	-
Dividends paid	-	(34,000)
Cash used in financing activities	(101,281)	(33,068)
NET CHANGE IN CASH DURING YEAR	(46,139)	(9)
CASH POSITION, BEGINNING OF YEAR	175,618	175,627
CASH POSITION, END OF YEAR (Note 3)	$ 129,479	$ 175,618

(See accompanying notes)

Supplementary cash flow information:

Interest paid	$ -	$ 3,767

1. STATUS OF CIC ASSET MANAGEMENT INC.

CIC Asset Management Inc. (the Corporation) has a mandate to prudently manage and divest of its portfolio of investments. The Corporation was incorporated under *The Business Corporations Act (Saskatchewan)* on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Effective September 10, 2009, by Order in Council 653/2009 which made effective *The Crown Corporation Amendment Regulations,* 2009, the Corporation is no longer a designated subsidiary Crown corporation. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Subsidiaries

These consolidated financial statements include the accounts of CIC Asset Management Inc. and its subsidiaries:

101069101 Saskatchewan Ltd.
101039181 Saskatchewan Ltd.
CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC Pulp Ltd.
CIC PVF Holdings Inc.
CIC WLSVF Holdings Inc.
HARO Financial Corporation
Investment Saskatchewan Swine Inc.
Invest Sask Holdings Inc.
Saskatchewan Valley Potato Corporation

All material inter-company transactions have been eliminated on consolidation.

Big Sky Farms Inc. (Big Sky) was consolidated by the Corporation up to November 10, 2009, the date it entered into creditor protection under *The Companies Creditors Arrangement Act* (CCAA). At December 31, 2009, the investment in Big Sky was recorded as a cost basis investment due to the CCAA process. In 2010, Big Sky emerged from creditor protection and the Corporation has recorded the investment under the equity method based on the Corporation's revised ownership in Big Sky upon emerging from creditor protection. See Note 13 for further details.

Investments - equity basis

Where the Corporation has investments over which it exercises significant influence, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Consolidation principles and basis of presentation (continued)

Joint ventures

The Corporation has accounted for its joint venture interests using the proportionate consolidation method. The consolidated financial statements therefore include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses, and cash flows of joint venture interests.

The Corporation's share of jointly controlled enterprises included in the consolidated financial statements is as follows:

Foragen Technologies Limited Partnership (Foragen)	33.3%
Centennial Foods Partnership (Centennial Foods)	33.1%

Variable interest entities

The Corporation consolidates certain entities that are not subject to control on a basis of ownership of voting interests. Such an entity is referred to as a variable interest entity (VIE).

An entity is classified a VIE if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that Meadow Lake Pulp Limited Partnership (MLPLP) falls under the classification of a VIE and has been consolidated in these financial statements.

b) Cash and cash equivalents

Short-term investments are recorded at fair value, and have original maturities of three months or less.

c) Disposal of long-lived assets and discontinued operations

Long-lived assets are classified as held for sale when specific criteria are met, in accordance with CICA Handbook Section 3475 "Disposal of Long Lived Assets and Discontinued Operations". Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to dispose and are no longer amortized. Assets and liabilities held for sale are reported separately on the consolidated statement of financial position. A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant and equipment

Property, plant and equipment are recorded at cost.

When property, plant and equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Amortization of property, plant and equipment is primarily recorded on the straight line basis over the estimated useful life of each asset using the following amortization rates:

Equipment	3 - 15 years

e) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flow, earnings multiple and market comparability approaches. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the Consolidated Statement of Operations and Retained Earnings before net earnings.

f) Revenue recognition

Revenue from the sale of products is recognized when goods are shipped and title has passed to the customer.

Revenue from the provision of services is recognized as the services are provided.

Interest earned on investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectability of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

Dividends are recorded as income when received or receivable for all investments in which the Corporation does not exercise significant influence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are amortized over their useful lives. The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

h) Environmental liabilities

Environmental liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future expenditures on an ongoing basis.

i) Financial assets and liabilities

The Corporation classifies its financial assets and liabilities into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities.

All financial assets and liabilities are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial asset or liability. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are recognized immediately in net loss.

Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are accounted for at fair value, where determinable, with the change in the fair value recognized in net earnings. Cash and cash equivalents and warrants held in the Corporation's investment portfolio have been classified as held-for-trading assets. No financial liabilities have been classified as held-for-trading.

Available-for-sale

Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income. Investments that are classified as available-for-sale and do not have a readily available market value are recorded at cost. Available-for-sale investments are written down to fair value through net earnings whenever it is necessary to reflect other-than-temporary impairment. Gains and losses realized on disposal of available-for-sale investments, which are calculated on an average cost basis, are recognized in net loss.

Held-to-maturity

Financial assets that have a fixed maturity date, where the Corporation intends and has the ability to hold to maturity, are classified as held-to-maturity and accounted for at amortized cost using the effective interest method. The Corporation does not have any held-to-maturity investments at December 31, 2010.

Loans and other advances

Loans and other advances are accounted for at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial assets and liabilities (continued)

Financial assets and financial liabilities designated as held-for-trading under the fair value option

Financial assets and financial liabilities, other than those classified as held-for-trading, are designated as held-for-trading under the fair value option if they are reliably measurable, meet one or more of the criteria set out below, and are so designated by the Corporation. The Corporation may designate financial assets and financial liabilities as held-for-trading when the designation:

(i) eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognizing gains and losses on them, on different bases; or

(ii) applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.

Financial instruments designated as held-for-trading under the fair value option are accounted for at fair value with the change in the fair value recognized in net earnings.

Other liabilities

Financial liabilities not designated as held-for-trading are classified as other liabilities. Other liabilities are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are designated as other financial liabilities.

Embedded derivatives

Derivatives may be embedded in other financial instruments (the 'host instrument'). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated using the fair value option. These embedded derivatives are measured at fair value with subsequent changes recognized in net loss.

j) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and related disclosures during the reporting period. Certain estimates (including useful lives of depreciable assets used to compute amortization, asset impairment, the carrying amounts of and appropriate accounting for investments, provisions for contingencies related to environmental clean-up activities, insurance obligations and accounting for variable interest entities) require management to make subjective or complex judgements.

These financial statements are based on management's best estimate using information available. The increased volatility of financial markets has complicated this process due to the significant fluctuation of foreign exchange rates, commodity prices, and the current global economic state. Accordingly, actual results could differ from these estimates thereby impacting future results by a material amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook, which requires Government Business Enterprises (GBE's) to adopt IFRS and Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. The Corporation has selected IFRS as its accounting platform as management believes it is the most appropriate basis of accounting.

3. CASH AND CASH EQUIVALENTS

The major components of cash and cash equivalents are as follows:

(thousands of dollars)	2010	2009
Cash on deposit	$ 129,479	$ 175,618

4. RESTRICTED CASH

The current portion of restricted cash consists of $22.1 million (2009 - $21.3 million) of the current portion of cash held by the receiver of MLPLP, and is subject to the order of the Court of Queen's Bench of Saskatchewan. Also included in the current portion of restricted cash is $0.3 million (2009 - $0.3 million) held in escrow related to the sale of Centennial Foods' operations.

The long-term portion of restricted cash of $20.0 million (2009 - $20.0 million) consists of the long-term portion of cash held by the receiver of MLPLP, and is subject to the order of the Court of Queen's Bench of Saskatchewan.

5. CONSOLIDATED INVESTMENTS - SUBSIDIARIES, JOINT VENTURES, AND VIE

As noted in the summary of significant accounting policies (Note 2), the financial results of investment in subsidiaries, joint ventures, and variable interest entities are consolidated into the Corporation's financial results. These investments are as follows:

(thousands of dollars)	2010	2009
Foragen Technologies Limited Partnership (a) Cost $13,150 (2009 - $12,950)	$ 2,693	$ 2,699
Prairie Ventures Limited Partnership (b) Cost $6,135 (2009 - $6,763)	6,924	8,046
Meadow Lake Pulp Limited Partnership (c) Cost $277,901 (2009 - $277,901)	31,719	30,874
Other	527	2,073
	$ 41,863	$ 43,692

5. CONSOLIDATED INVESTMENTS - SUBSIDIARIES, JOINT VENTURES, AND VIE (continued)

a) The Corporation, through its wholly owned subsidiary CIC FTLP Holdings, owns limited partnership units in Foragen Technologies Limited Partnership. This joint venture contributed losses of $206.1 thousand (2009 - loss of $169.7 thousand) to the Corporation's financial results. During the year, the Corporation made a $200.0 thousand (2009 - $300.0 thousand) equity investment in the joint venture, and received $Nil (2009 - $60.0 thousand) as a return of capital.

b) The Corporation, through its wholly owned subsidiary CIC PVF Holdings Inc., owns limited partnership units in Prairie Ventures Limited Partnership. This subsidiary contributed earnings of $411.9 thousand (2009 - $647.9 thousand) to the Corporation's financial results. During the year, the Corporation received $1.3 million (2009 - $844.6 thousand) from redemptions of units and distributions.

c) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., has an equity interest in and loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP). The Corporation also has loans receivable from MLPLP through its wholly-owned subsidiary, 101069101 Saskatchewan Ltd. This VIE contributed earnings of $845.2 thousand (2009 - $244.0 thousand) to the Corporation's financial results.

6. INVESTMENTS

(thousands of dollars)	2010	2009
Equity investments		
Big Sky (Note 13) Cost $Nil (2009 - $Nil)	$ 2,116	$ -
Bioriginal Food and Science Corp. (a) Cost $7,835 (2009 - $7,835)	2,047	1,676
Can Pro Ingredients Ltd. (b) Cost $5,355 (2009 - $5,355)	-	3,557
Jump.ca Wireless Supply Corp. (c) Cost $6,418 (2009 - $6,418)	7,961	9,183
Meadow Lake OSB Limited Partnership (d) Cost $29,800 (2009 - $29,800)	23,695	24,620
VendAsta Technologies Inc. (e) Cost $3,000 (2009 - $2,100)	2,581	2,043
Other (f)	1,886	4,454
	40,286	45,533
Available-for-sale investments - cost basis		
Phenomenome Discoveries Inc. Cost $6,867 (2009 - $6,867)	6,867	6,867
Quantec Geoscience Ltd. Cost $3,000 (2009 - $3,000)	3,000	3,000
Targeted Growth Canada Inc. (g) Cost $8,749 (2009 - $8,749)	-	8,749
Clothing For Modern Times Ltd. (h) Cost $7,489 (2009 - $Nil)	2,531	-
Other	5,305	5,720
	17,703	24,336

6. INVESTMENTS (continued)

(thousands of dollars)	2010	2009
Available-for-sale investments - fair value basis		
Crescent Point Energy Corp. (i) Cost $Nil (2009 - $19,412)	$ -	$ 22,113
Premium Brands Holdings Corp. (j) Cost $1,676 (2009 - $13,608)	2,662	17,013
PetroBakken Energy Ltd. Cost $2,790 (2009 - $2,790)	1,821	2,706
Just Energy Exchange Corp. (j) Cost $376 (2009 - $2,952)	508	3,746
Other	2,521	3,170
	7,512	48,748
Held-for-trading		
Clothing For Modern Times Ltd. (h) Cost $Nil (2009 - $7,489)	-	6,725
	-	6,725
Loans and other advances		
Can Pro Ingredients Ltd. (k) Cost $3,030 (2009 - $2,647) Secured debenture: Interest rate - 14%, Maturity - July 9, 2017 Bridge loan: Interest rate - 20%, Maturity - June 26, 2014	1,200	3,146
Clothing For Modern Times Ltd. Cost $7,780 (2009 - $7,780) Interest Rate - 15% plus additional 3% on deferred principal payments Maturity - September 15, 2011	7,780	7,780
Stegg Ltd. (l) Cost $Nil (2009 - $6,005) Interest Rate - 14%, Maturity - November 30, 2010	-	6,080
Terra Grain Fuels Inc. Cost $24,656 (2009 - $24,893) Interest Rate - 10.5%, Maturity - May 13, 2012	25,221	24,900
Other (m)	2,368	6,188
	36,569	48,094
Total investments	$ 102,070	$ 173,436

6. INVESTMENTS (continued)

Equity basis investments

a) Included in the net book value of Bioriginal Food and Science Corp. (Bioriginal) is $1.4 million (2009 - $1.5 million) of intangible assets identified upon acquisition. The various intangible assets with defined lives are being amortized over useful lives ranging from 0.5 years to 5 years.

b) The Corporation recorded an impairment on its equity investment in Can Pro Ingredients Ltd. of $2.4 million according to the Corporation's internal valuation assessment at December 31, 2010.

c) The Corporation received dividends of $2.7 million from Jump.ca Wireless Supply Corp. in the year. The dividends have been recorded as a reduction in the carrying value of the investment, according to equity accounting.

d) The Corporation, through its wholly-owned subsidiary CIC OSB Products Inc., owns limited partnership units in Meadow Lake OSB Limited Partnership (ML OSB). The Corporation has issued 8,127,780 options to certain parties to purchase its units of ML OSB. These options expire on December 19, 2011.

e) During the year, the Corporation made $0.9 million (2009 - $1.5 million) of follow on equity investments in VendAsta Technologies Inc. (VendAsta) based on the achievement of pre-established milestones. Included in the investment balance of VendAsta is $1.5 million in goodwill, which is not amortized but assessed for impairment in accordance with the Corporation's investment portfolio review process. The Corporation is in the process of allocating the purchase consideration for the 2010 investment in VendAsta between goodwill and intangibles. Any amortization of intangibles will begin in 2011.

f) The Corporation recorded impairments of $0.3 million related to its other equity investments during the year, according to the Corporation's internal valuation assessment at December 31, 2010.

Available-for-sale investments - cost basis

g) The Corporation recorded an impairment on its cost investment in Targeted Growth Canada Inc. of $8.7 million according to the Corporation's internal valuation assessment at December 31, 2010.

h) During the year, the Corporation's investment in Clothing For Modern Times Ltd. (CFMT) was converted from warrants into shares and the Corporation recorded a $4.2 million impairment on its investment according to the Corporation's internal valuation assessment at December 31, 2010. The CFMT investment was reclassified to available-for-sale investments - cost basis in 2010 as upon conversion the Corporation holds a minority equity interest in CFMT.

Available-for-sale investments - fair value basis

i) During the year, the Corporation disposed of its entire interest in Crescent Point Energy Corp. for proceeds of $22.4 million realizing a gain on sale of $2.9 million.

j) The Corporation sold a portion of its shares in Premium Brands Holding Corp. and Just Energy Exchange Ltd. for proceeds of $15.0 million and $3.2 million realizing a gain on sale of $5.8 million and $0.7 million respectively.

6. INVESTMENTS (continued)

Loans and other advances

k) During the year, the Corporation advanced $0.4 million in senior debt to Can Pro Ingredients Ltd. At December 31, 2010 the Corporation recognized a $2.3 million impairment on its senior debt investment in Can Pro Ingredients Ltd. according to the Corporation's internal valuation assessment regarding the recoverability of the loan at December 31, 2010.

l) During the year, the Corporation disposed of its loan advanced to Stegg Ltd. for proceeds of $4.0 million realizing a loss on sale of $2.1 million.

m) Other loans includes the full repayment of a loan for proceeds of $1.7 million during the year. The Corporation also recognized a $1.8 million impairment related to a separate loan, according to the Corporation's internal valuation assessment regarding the recoverability of the loan at December 31, 2010.

7. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)				2010				2009
		Cost		Accumulated Depreciation		Net Book Value		Net Book Value
Equipment	$	38	$	3	$	35	$	257

Depreciation expense for the year is $21.0 thousand (2009 - $4.9 million). During the year, the Corporation disposed of equipment with original cost of $591.0 thousand and a net book value of $198.0 thousand for proceeds of $Nil, resulting in a $198.0 thousand loss on disposal.

8. ENVIRONMENTAL LIABILITIES

The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. The Corporation has accrued $28.0 million (2009 - $26.8 million) to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company Ltd. (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site owned by Domtar Inc. The Corporation is a successor corporation to PAPCO and therefore has recorded the estimated cost of its assumed obligations related to the PAPCO site.

The Corporation has accrued $65.4 million (2009 - $62.6 million) to carry out the clean-up activities related to an indemnity provided by PAPCO and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Worldwide chemical plant. The increase in the liabilities is as a result of external studies completed on the site in advance of remediation activities.

The Corporation has accrued $9.3 million (2009 - $9.3 million) for estimated clean-up activities related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets.

Identifying the extent of remediation required, compliance with regulatory requirements, and optimum remediation techniques, involve significant estimates by management and contracted consultants. As evaluation of the remediation requirements and process for these sites are in the early stages, there is uncertainty as to the extent of the potential remediation required. Management has recorded the liability based on the information obtained to date. The actual costs remain unknown and may differ from the amounts accrued by a material amount in the near term. Any change to the estimate of the environmental liabilities will be recorded prospectively, once these uncertainties are resolved.

8. ENVIRONMENTAL LIABILITIES (continued)

A reconciliation of the environmental liabilities balance is provided below:

(thousands of dollars)		2010		2009
Environmental liabilities, beginning of year	$	98,575	$	95,234
Change in liabilities due to loss of control of Big Sky		-		(288)
Accretion expense		4,020		3,629
Environmental liabilities, end of year	$	**102,595**	$	98,575

9. OTHER LIABILITIES

As part of the final closing of the sale of Crown Life Insurance Company (Crown Life), owned 65.2 per cent by HARO Financial Corporation, to Canada Life Assurance Company (Canada Life), the Corporation issued a $26.1 million (2009 - $28.9 million) letter of credit to Canada Life as security for outstanding litigation matters related to regular insurance transactions and marketing practices of Crown Life that are deemed to be the responsibility of Crown Life prior to the final closing. The letter of credit was reduced during the year due to the reduction in and extinguishment of estimated litigation matters. The Corporation recorded a provision of $10.9 million (2009 - $10.9 million) as its best estimate of the actual costs of such contingent liabilities.

10. SHARE CAPITAL AND CAPITAL DISCLOSURES

As a wholly-owned subsidiary of CIC, the Corporation's share capital currently consists of funds invested by CIC in the amount of $80.0 million (2009 - $180.0 million). The capital structure is determined in conjunction with the shareholder based on the approved business plans.

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations of the Corporation, and to ensure adequate returns to the shareholder.

The Corporation has a strong current ratio of 38:1 as at December 31, 2010 (2009 - 33:1) and has cash and cash equivalents on hand to meet its obligations.

(thousands of dollars)		2010		2009
Authorized: Unlimited common shares with no par value				
Issued and outstanding: 17,999,983 common shares beginning of year	$	180,000	$	180,000
Shares redeemed during year (10,000,000 common shares)		(100,000)		
Ending balance - common shares	$	**80,000**	$	180,000

On December 30, 2010, the Corporation redeemed 10,000,000 common shares at $10 per share, in accordance with directives issued by CIC.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

(thousands of dollars)		2010		2009
Unrealized foreign currency translation losses	$	(382)	$	(261)
Unrealized gains on available-for-sale securities		653		7,366
	$	271	$	7,105

12. EARNINGS (LOSSES) FROM INVESTMENTS

(thousands of dollars)		2010		2009
a) Earnings (losses) from equity basis investments:				
Big Sky (Note 13)	$	2,116	$	
Bioriginal Food & Science Corp.		516		(317)
Can Pro Ingredients Ltd.		(1,120)		(1,527)
Jump.ca Wireless Supply Corp.		1,510		1,709
Meadow Lake OSB Limited Partnership		(925)		(3,080)
VendAsta Technologies Inc.		(362)		(70)
Other		(2,327)		(2,688)
	$	(592)	$	(5,973)
b) Provision for loan losses:				
Provision for losses	$	(4,127)	$	(816)
c) Write-down of investments:				
Available-for-sale investments	$	(13,256)	$	(7,195)
Equity basis investments		(2,740)		(263)
Held-for-trading investments		-		(764)
		(15,996)		(8,222)
Cash recovery on loans and investments		271		88
Net write-down of investments	$	(15,725)	$	(8,134)

13. INVESTMENT IN BIG SKY

On November 10, 2009, Big Sky, then a 63.0 per cent owned subsidiary of the Corporation, was granted creditor protection under CCAA. As a result, the Corporation concluded that its control over Big Sky was lost and the Corporation had no ability to exert significant influence. Accordingly, the Corporation's investment in Big Sky was no longer consolidated beginning November 10, 2009 and was accounted for as a cost basis investment at December 31, 2009. As a result, the Corporation's 2009 consolidated financial statements include Big Sky's results of operations and cash flows to November 10, 2009 and do not include the assets, liabilities and equity accounts of Big Sky at December 31, 2009.

13. INVESTMENT IN BIG SKY (continued)

Prior to de-consolidation on November 10, 2009, the Corporation recognized an impairment related to Big Sky's long-lived assets based on continued low commodity prices, a strong Canadian dollar, high feed prices, and the Corporation's assessment of the future ongoing success of its hog operations. The net effect of this impairment, after income taxes and non-controlling interest, was a reduction in the carrying value of the underlying investment in equity and subordinated debt of $17.9 million. As a result, the carrying value of the Corporation's equity and subordinated debt investment in Big Sky was $Nil as at December 31, 2009.

On February 12, 2010 Big Sky's creditors voted to accept the restructuring proposal as proposed by Big Sky under CCAA. As a result of the proposal and restructuring process, the Corporation's investment in Big Sky was reduced to less than 50.0 per cent of the shares of Big Sky, and the Corporation does not exercise control over the restructured company. Therefore, upon emerging from restructuring on March 22, 2010, the Corporation has recorded its investment in Big Sky according to the equity method, recording its proportionate share of its income or loss as generated by Big Sky as set out in Note 12.

14. COMMITMENTS AND CONTINGENCIES

a) The future minimum payments under equipment operating leases in each of the next five years are as follows (thousands of dollars):

2011	$	6
2012		6
2013		3
2014		-
2015		

b) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2010 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.

c) The Corporation has entered into a investment management agreement with a third party investment manager. Under the terms of this agreement, the investment manager may be entitled to performance fees on gains realized upon the disposition of any investment. Due to the terms of the agreement, it is not possible to quantify the amount of such performance fees until the time of the disposition of the investment although the Corporation has accrued the best estimate of these fees at the reporting date. It is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations.

15. ITEMS NOT AFFECTING CASH FROM OPERATIONS

(thousands of dollars)		2010		2009
Provision for environmental costs	$	4,020	$	3,629
Provision for loan losses (Note 12(b))		4,127		816
Write-down of investments (Note 12(c))		15,996		8,134
Provision for impairment of assets		-		17,939
Reduction in other liabilities		(20)		(1,594)
Working capital balances relating to investments		(607)		533
Losses from equity basis investments		592		5,973
Amortization		21		7,284
Gain on sale of investments		(5,684)		(10,839)
Embedded derivative gains		-		897
Unrealized hedging gains		-		(121)
Future income taxes recovery		-		(225)
Non-controlling interest		400		(10,226)
Other non-cash items		485		(1,917)
	$	19,330	$	20,283

16. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

(thousands of dollars)		2010		2009
Decrease in interest and dividends receivable	$	203	$	284
Increase in accounts receivable		(284)		(298)
Increase in inventories		-		(1,948)
Decrease in prepaid expenses		-		389
(Decrease) increase in accounts payable and accrued liabilities		(1,900)		6,699
	$	(1,981)	$	5,126

17. FINANCIAL RISK MANAGEMENT

a) Risk management activities

Certain of the Corporation's investments are exposed to fluctuations in commodity prices, exchange rates and interest rates and have entered into contracts to hedge or manage this exposure. The Corporation does not anticipate any material adverse effect on its financial position resulting from its subsidiaries involvement in these types of contracts, nor does it anticipate non performance by the counterparties.

b) Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

17. FINANCIAL RISK MANAGEMENT (continued)

b) Fair values (continued)

Certain financial instruments including: cash and cash equivalents, restricted cash, interest and dividends receivable, accounts receivable, accounts payable and accrued liabilities have carrying amounts that approximate fair value due to their short-term maturity.

The Corporation has classified the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels.

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 consists of cash and cash equivalents, restricted cash and publicly traded equities.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reported date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value, volatility factors and broker quotations, which can be substantially observed or corroborated in the marketplace. Instruments in this category include non exchange traded derivatives such as over the counter physical forwards and options, including those which have prices similar to quoted market prices. The Corporation obtained information from sources such as independent price publications and over-the-counter broker quotes.

Level 3 - Valuations in this level are those with inputs which are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value. Level 3 instruments include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, internally developed methodologies are used to determine fair value which primarily includes extrapolation of observable future prices to similar locations, similar instruments or later time periods.

At year end, the fair value of the following financial instruments is presented below:

(thousands of dollars)			2010			
		Level 1		Level 2		Level 3
Cash and cash equivalents	$	129,479	$	-	$	-
Restricted cash		42,372		-		-
Publicly traded equities		7,512		-		-
Investments - warrants		-		-		-

(thousands of dollars)			2009			
		Level 1		Level 2		Level 3
Cash and cash equivalents	$	175,618	$		$	
Restricted cash		41,563				
Publicly traded equities		48,748				
Investments - warrants						6,725

17. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk

Market risk represents the potential for loss from changes in value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Corporation's financial instruments impacted by interest rate risk are its cash and cash equivalents, and restricted cash. The Corporation has estimated that with every increase of 1.0 per cent in the bank rate, the Corporation's earnings will increase by $1.3 million (2009 - $1.6 million).

Currency risk relates to some of the Corporation's subsidiaries and equity basis investments with operations in $USD and converting these foreign currency earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Corporation has estimated that with every $0.01 appreciation in the Canadian dollar, earnings before interest, taxes, depreciation and amortization will be adversely impacted by $0.2 million (2009 - $0.2 million).

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in the public equity markets. The Corporation's exposure to public equity markets is 7.2 per cent (2009 - 27.7 per cent) of its investment portfolio. The Corporation has estimated that with every 10.0 per cent increase in the broad based North American public markets, the Corporation's portfolio of respective investments will increase by $1.1 million (2009 - $4.5 million).

17. FINANCIAL RISK MANAGEMENT (continued)

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

The Corporation is exposed to credit risk through its short-term investments, interest, dividends and accounts receivable and loans and other advances. Credit risk related to short-term investments is minimal as the investments are with institutions carrying strong credit ratings. Interest and dividends receivable mainly relates to interest receivable on these short-term investments. The Corporation reviews the portfolio valuation annually.

The carrying amount of financial assets represents the maximum credit exposure as follows:

(thousands of dollars)	2010	2009
Cash and cash equivalents	$ 129,479	$ 175,618
Interest and dividends receivable	296	499
Accounts receivable	1,744	1,460
Investments held-for-trading	-	6,725
Investments available-for-sale	25,215	73,084
Loans and other advances	36,569	48,094
	$ 193,303	$ 305,480

The aging of receivables, which indicates potential impairment losses, is as follows:

(thousands of dollars)	2010	2009
Current	$ 306	$ 371
0-30 days	-	880
31-60 days	-	52
Greater than 60 days	1,438	157
	$ 1,744	$ 1,460

Provisions for credit losses are regularly reviewed based on an analysis of the aging of customer accounts. Amounts are written off if the accounts are deemed uncollectible.

e) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation, through its diversified holdings and through its capital allocation, can allocate resources to ensure that all financial commitments are met. Where necessary the Corporation can borrow funds, or be provided or provide equity injections to solve any liquidity issues. The Corporation's only contractural obligations is accounts payable. All accounts payable are due in 2011.

18. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

(thousands of dollars)	2010	2009
Category (as per financial statements)		
Accounts payable and accrued liabilities	$ 47	$ 57
Interest and other revenue	-	369
Operating expenses	893	4,590
Financing expense	-	31

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

CIC provides management services without charge.

These consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

19. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform to current year's presentation.

Accumulated other comprehensive income

Comprises the accumulated balance of all components of other comprehensive income, being revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles, are recognized in comprehensive income, but excluded from net earnings.

Capital resources

The funds that have been invested in and loaned to the corporation to allow it to carry out its operations and investment activities. A corporation's capital consists of its debt and equity.

Capital structure

The relative percentage or weighting of debt compared to equity for a corporation. The ideal capital structure for a corporation is usually specific to its industry and depends on factors such as the level of capital assets required to maintain operations, the cost of borrowing, the risk associated with the industry, and shareholder expectations.

Cash flow return on equity

A measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g., dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity.

Comprehensive income

The change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Debt ratio

Measures the per cent of debt in the overall capital structure of an organization and is used to evaluate its financial flexibility. It is calculated as total debt from ongoing operations (long-term debt plus long-term debt due within one year plus notes payable) less sinking funds divided by the corporation's capital (debt plus equity).

Derivative

A contract or security that obtains its value from price movements in a related or underlying security, future or other instrument or index.

Dividend capacity

The financial ability that a Corporation has to pay dividends. Dividend capacity is determined by identifying cash sources from operations, analyzing reinvestment needs and the target capital structure, and then determining surplus cash.

Dividend payout rate

The percentage of earnings that has been paid out as dividends.

Forward contract

A contractual commitment to buy or sell a specified currency at a specific price and date in the future.

General Revenue Fund (GRF)

The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. It is the Government of Saskatchewan's central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly.

Minimum capital test (MCT)

The minimum capital test is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

Option

A contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a point in time during a defined period.

Other comprehensive income

Comprises revenue, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles are recognized in comprehensive income, but excluded from net earnings.

Performance Management Plans

Plans that are developed by each Crown corporation detailing key strategic priorities, measures and targets for a given year. They are also referred to as business plans, and typically include the corporation's budget for the year.

Return on equity

A measure of profitability that relates a company's earnings to the investment by its owners. It is calculated as net earnings divided by the average shareholder's equity.

Significant transaction

Significant transactions are those judged by a Crown corporation to be sensitive and likely of interest to legislators and the public; or where the transaction is both material and outside the ordinary course of business and involves:

- the acquisition of a major investment or asset, or the assumption of a major liability;
- a change in the terms and conditions governing an existing investment or asset; or
- the divestment of a major asset or investment.

Sinking fund

An account held for the specific purpose of paying down an existing debt instrument (e.g., loan) that has a maturity date in the future. Money is placed in the fund over the period which the debt is held, and then used to pay off the debt at its maturity. Sinking funds are recorded as investments for financial reporting purposes.

Swap

A contractual agreement to exchange a stream of periodic payments with a counterparty.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN (CIC)

400-2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
President: R.W. (Dick) Carter, FCA
Web site: www.cicorp.sk.ca

CIC
Crown Investments Corporation
of Saskatchewan

SUBSIDIARIES

Information Services Corporation of Saskatchewan

300-10 Research Drive
Regina, Saskatchewan S4S 7J7
Inquiry: 1-866-275-4721
President: Jeff Stusek
Website: www.isc.ca

CIC Asset Management Inc.[1]

500-2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-7200
Managing Director: Rae Haverstock
Website: www.cicorp.sk.ca

Saskatchewan Development Fund Corporation

400-2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-1645
General Manager: John Amundson

Saskatchewan Government Insurance

2260-11th Avenue
Regina, Saskatchewan S4P 0J9
Inquiry: 1-800-667-9868
President: Andrew Cartmell
Web site: www.sgi.sk.ca
www.sgicanada.ca

Saskatchewan Gaming Corporation

2020 Saskatchewan Drive
Regina, Saskatchewan S4P 0B2
Inquiry: (306) 787-1590
President: Twyla Meredith
Web site: www.saskgaming.com

Saskatchewan Opportunities Corporation

114-15 Innovation Boulevard
Saskatoon, Saskatchewan S7N 2X8
Inquiry: 1-888-933-6295
President: Doug Tastad
Web site: www.innovationplace.com

Saskatchewan Power Corporation

2025 Victoria Avenue
Regina, Saskatchewan S4P 0S1
Inquiry: 1-888-757-6937
President: Robert Watson
Web site: www.saskpower.com

Saskatchewan Telecommunications

2121 Saskatchewan Drive
Regina, Saskatchewan S4P 3Y2
Inquiry: 1-800-727-5835
President: Ron Styles
Web site: www.sasktel.com

Saskatchewan Transportation Company

1717 Saskatchewan Drive
Regina, Saskatchewan S4P 2E2
Inquiry: (306) 787-3347
President: Shawn Grice
Web site: www.stcbus.com

Saskatchewan Water Corporation

111 Fairford Street East
Moose Jaw, Saskatchewan S6H 1C8
Inquiry: 1-888-230-1111
President: Doug Matthies
Web site: www.saskwater.com

SaskEnergy Incorporated

1777 Victoria Avenue
Regina, Saskatchewan S4P 4K5
Inquiry: 1-800-567-8899
President: Doug Kelln
Web site: www.saskenergy.com

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[1] Investment Saskatchewan Inc. (IS) was de-designated as a subsidiary Crown corporation pursuant to Order in Council 653/2009 effective September 10, 2009. IS is continued under the authority of The Business Corporations Act (Saskatchewan) as CIC Asset Management Inc. with CIC, as sole shareholder.

CIC

Crown Investments Corporation
of Saskatchewan

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ANNUAL REPORT

Crown Investments Corporation of Saskatchewan
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